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# ***JPRS Report***

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# **China**

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# SPECIAL NOTICE

Effective 1 June 1987 JPRS reports will have a new cover design and color, and some reports will have a different title and format. Some of the color changes may be implemented earlier if existing supplies of stock are depleted.

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16 JUNE 1987

## CHINA

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DENG XIAOPING'S SPEECH TO POLITBURO STANDING COMMITTEE

Hong Kong JIANSHE YOU ZHONGGUO TESE DE SHEHUIZHUYI [BUILDING SOCIALISM WITH CHINESE CHARACTERISTICS] in Chinese 1987 pp 128-131

[Speech by Deng Xiaoping to the Standing Committee of the Political Bureau of the CPC Central Committee on 17 Jan 1986 in the book "Building Socialism With Chinese Characteristics," enlarged and revised edition 1987, Joint Publishing Company, 143 pages]

[Text] We said at the 12th National Party Congress in September 1982 that we must devote ourselves to the building of a socialist spiritual civilization and strive to improve the party style and social tone fundamentally within 5 years. Three years and 4 months have gone; in the remaining 1 year and 8 months, which may not be enough time, we must tackle these tasks aggressively, slackening not a day.

Building a spiritual civilization and improving the party's mode of conduct and the social tone must begin with concrete things. Economic crimes, incidents resulting in a loss of national dignity and personal integrity abroad, and espionage cases must be dealt with as a priority. The overwhelming majority of senior cadres and their children are good. But isolated cases do occur these days in which the children of cadres leak economic intelligence, get involved in spying networks, and offer information and documents for sale. The more senior the cadre parents of the offenders, the higher-ranking and better known the offenders themselves, the more rigorously the cases should be pursued to set an example. This is because 'f their crimes are highly damaging, the fact that we crack down on them will also have a greater impact, proving our determination to overcome all resistance in the way of building a spiritual civilization. As for the small potatoes, it is no big deal if they get away with it. But of course this does not mean we should slacken our efforts. In my opinion, if we tackle these problems conscientiously, we will have a bright future. Otherwise, we will be doomed. Senior cadres must adopt a firm, clear, and unequivocal attitude toward the criminal activities of their family members and children and unwaveringly support the investigation departments. Investigations must be carried out in accordance with party discipline and the law of the land, no matter who will be implicated. We must do a solid job and cannot be irresolute where firmness is called for. The Yang Xiaomin [2799 1426 3046] case in Qinghai Province dragged on for years; party committees and secretaries came and went, but the case remained unsolved. Today it is

finally settled satisfactorily. Only by tackling cases like this can we make an impact.

The death penalty cannot be abolished; some criminals must be put to death. I came across certain materials recently which show that recidivists abound. Set free after a few years of reform through labor, some criminals continue to break the law, in the process becoming more skilful and more adept at handling the public security and judicial agencies. Why don't we execute some of these hardened offenders in accordance with the law? And then there are those who refuse to mend their ways despite repeated efforts to reform them and continue to traffic in women and children, engage in superstitious activities professionally, and organize reactionary secret societies. Why don't we hand down tougher sentences as the law provides? Certainly, we must be careful when we put people to death. Still we must execute a few. (Comrade Chen Yun: Kill a few cadres to save many.) In the political and ideological fields, as long as the criminal code is not violated, there should be no criminal penalties and the question of capital punishment does not arise. Nevertheless, a few flagrant economic and other criminals must be put to death. On the whole, we are too fainthearted these days. Capital punishment is also an educational tool. (Comrade Chen Yun: Execute one as a warning to a hundred.) Most of the people executed today are murderers. What about other serious criminal activities? Prostitution is rampant in Guangdong. Why don't we severely punish some of the most notorious offenders? Madams who have been arrested a couple of times but still refuse to reform themselves should all be dealt with severely in accordance with the law. Why can't we sentence to death as the law provides public servants who have committed particularly heinous economic crimes, causing the state millions, even tens of millions of yuan in damages? In 1952 we executed two people, Liu Qingshan [0491 7230 1472] and Zhang Zishan [1728 1311 0810]. That had a tremendous effect. Today, executing two people would not produce the same kind of impact. We must execute a few more to really demonstrate our determination.

The secretariat has done a good job in rectifying the party style. My idea is that if they keep it up for 2 years, it will be a big success. Once this task is accomplished, reform and development will really be expedited. Even if we go after it relentlessly, we have a 10-year struggle ahead of us before the party style and social tone are restored to their peak form in the 1950's. At present both the line and the policies of the CPC Central Committee are good. We must adhere to the policies of reform and opening to the outside world. However, there are numerous loopholes in management and other areas. The mode of conduct of some party members and cadres and the social tone are really poor. In the course of party style rectification, some people must be expelled from the party and reformed. The party style and social tone cannot be improved without a decade of hard work. After all, it takes 10 years to educate a person! The Cultural Revolution lasted 10 years, seriously poisoning the younger generation. That some university students make trouble is related to this poison. During party-style rectification 2 years ago, there was actually a good deal of hesitation in many areas. Many cases were crystal-clear, yet they were passed around, studied, investigated and commented on by agency after agency, with the result that they remained unsolved for years. Cases that can be closed should be closed. We should

zero in on the crux of a case and once that is worked out, close the case. Mind you, there is such a thing as acting decisively and boldly.

Starting with this general cadre meeting at the central level, we must come to grips with problems aggressively. This congress is less than 10 days old, and already all quarters have reacted highly favorably to it. Several comrades' speeches to the congress can also be regarded as Central Circular No 1, 1986.

In the end we must fall back on an old idea: It takes both hands to achieve the four modernizations; just one hand will not do. The so-called two hands refer to economic development and building up the legal system. The party has party discipline, the state has laws. Why do the four cardinal principles which we must adhere to include one about the democratic dictatorship of the people? With only internal dictatorship among the people and no dictatorship over saboteurs, society cannot remain politically stable and united and modernization cannot succeed.

We must work assiduously in the next 2 years, beginning now. We have done very well in economic development and the situation is gratifying. This is a triumph for our country. But if the social tone continues to worsen, what is the point of being successful economically? It will only lead to another kind of degeneration, which in turn will cause the entire economy to deteriorate. Ultimately our world will be one where corruption, theft, and bribery run amuck. Thus we cannot but stress upholding the four cardinal principles and dictatorship, the kind of dictatorship that will ensure smooth sailing for China's socialist modernization and tough treatment of people and things which sabotage development.

I suggest that the secretariat devote itself to these problems.

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DENG XIAOPING'S SPEECH ON POLITICAL REFORM, LEGAL SYSTEM

Hong Kong JIANSHE YOU ZHONGGUO TESE DE SHEHUIZHUYI [BUILDING SOCIALISM WITH CHINESE CHARACTERISTICS] in Chinese 1987 pp 135-137

[Speech by Deng Xiaoping to the Standing Committee of the Political Bureau of the CPC Central Committee on 28 June 1986 in the book "BUILDING SOCIALISM WITH CHINESE CHARACTERISTICS" enlarged and revised edition 1987; Joint Publishing Company; 143 pages]

[Text] Some comrades have raised the question of how to demarcate the rectification of the party style from the checking of unhealthy tendencies. In fact the main point is not where to draw the line between the two, but one concerning the relationship between party and government. It is not appropriate for the party to meddle with matters that fall within the legal field. Too much party intervention will prevent a sense of legality from being implanted in the minds of the people. The party should concern itself with inner-party discipline, while leaving matters within the scope of law to the state and the government. At the heart of the problem is the party-government relationship, a point that has to do with the political structure. Further consideration should be given to this matter. I think the 13th National Party Congress next year should first sort out this relationship. Once it is resolved, we should be able to separate rectification of the party style from the checking of unhealthy tendencies.

At present the focus of our work is party style rectification, but for the nation as a whole, the emphasis should be on strengthening the legal system. China lacks the tradition of enforcing and obeying the law. Since the 3d Plenary Session of the 11th CPC Central Committee, we have directed much efforts toward establishing a legal system, which we cannot do without. A sense of legality is related to a people's educational standard. That many young people commit crimes today has something to do with their very low educational standard. The important and fundamental thing in strengthening the legal system is to educate the people. Children should begin learning about the law and primary and secondary school students should receive this kind of education. Nowadays youths commit crimes without thinking twice and juvenile delinquents are absolutely lawless. In short, it militates against the inculcation of a sense of legality among the people to have the party handle matters of law and to include the question of crime in party style



rectification and within the purview of the Central Discipline Inspection Commission. Cracking down on crime and checking unhealthy tendencies are legal, social problems best solved by strengthening the legal system and stepping up social education. We should review experience in this area to improve our work.

We should also review the experience of the party in running the government. The question of party-government separation was raised as early as the 3d Plenary Session of the 11th CPC Central Committee. We must uphold party leadership, but the problem is whether the party is good at leading. To provide good leadership, the party must not intervene excessively. And the Central Committee should take the lead in stopping excessive intervention. To say all this is not to weaken party leadership. What will indeed weaken the party is too much intervention to no purpose. This probably lies at the heart of the problem. I made the same point when I noted the need to reform the political structure last time I discussed economic work with some comrades. Needless to say, there are other issues: bloated government machinery, over-staffing, passing the buck, and so on and so forth. As they search for work to keep their surplus workers occupied, many units have been retaking power from the lower levels through their companies. While we advocate power delegation, they take power back. I have heard some comrades say that there were man-made reasons behind China's slow economic development in the first half of this year, one of them being the retaking of power from the lower levels. Our policy is to continue to decentralize, yet many localities have taken back big chunks of power they delegated earlier. The result is powerless subordinate units and unenthusiastic enterprises. This is one reason for the drop in the economic growth rate. I think all comrades, particularly those in the secretariat, should think about the reform of the political structure. In political reform, we must begin by working out a plan. If we do not have a plan, we should not make a move. About a year should be spent on research and investigation. Once we have a clear idea, then we can go ahead. Whether or not all our reforms will ultimately succeed depends on political reform because it is people who make things happen. You advocate power delegation, whereas they tighten the reins. What can you do about it? There are other problems. Political and economic reforms should be made interdependent and coordinated. Reforming the economic system without overhauling the political system will not work because it will soon run into obstacles put up by man.

Party-style rectification has been quite successful during the last half year, but we should not overestimate our achievements: the work has barely begun. Although we say we must go all out in the next 2 years, in reality we have to keep up the work even afterwards. Of course, we may not have to set up a special agency to handle it, but the work must be done. Moreover, it must become part and parcel of our entire reform process. Opening to the outside world and invigorating the economy unavoidably bring with them undesirable things. If we do not deal with them, opening to the outside world and economic invigoration will go astray. It is thus a long-term task. Party style rectification will go on as long as the policies of opening to the outside world and economic invigoration remain in place and as long as we continue to check unhealthy tendencies and crack down on crime. Only thus can we ensure that our policies of opening to the outside world and invigorating the economy are implemented properly.

# NEW UNITED FRONT TACTIC ON 28 FEBRUARY INCIDENT

Hong Kong KUANG CHIAO CHING [WIDE ANGLE] in Chinese No 174, 16 Mar 87 pp 9-11

[Article by Cheng Shi [4453 4258]: "Evolving PRC Attitude toward "28 February Incident"]

[Text] Forty years ago, a massive armed rebellion occurred in Taiwan, followed by a bloody suppression. This is the historic tragedy later known as the "28 February Incident." Over the past 4 decades, the Kuomintang [KMT] has been tight-lipped about the incident. For native Taiwanese, especially the victims, however, the scar has not completely healed, and they always feel a dull pain whenever they recall it. As for the CPC, despite their clear endorsement in February 1947 of the incident as a "glorious uprising against corrupt KMT rule," their attitude has become increasingly equivocal. At a time when they are stepping up their strategy of KMT-CPC cooperation, there is a reluctance to irritate the KMT too much. We can say that the CPC, KMT, and native Taiwanese all have their ineffable feelings about the "28 February Incident."

On the 40th anniversary of the incident this year, however, there are signs the CPC has taken the first step to undo the emotional deadlock.

## Commemorating the "28 February Incident" Unfavorable to United Front?

According to press reports, a seminar was held in Beijing on 28 February this year to mark the 40th anniversary of the "28 February Incident." It was attended by CPC leaders including Hu Qili [5170 0796 4539] and Chen Pixian [7115 0012 7359] and organized by the three Taiwanese organizations on the mainland. Superficially, the identity of the organizations went perfectly with the substance of the seminar. In reality, it was an elaborately-planned united front gesture.

Why? A review of the Chinese Communists' attitude toward the "28 February Incident" over the years points up many oddities.

Going through the relevant materials, this writer discovered that the day after the incident, the Chinese Communists published an open telegram to the nation affirming it as a "glorious uprising of the Taiwanese people against

corrupt KMT rule" and strongly condemned the KMT's "criminal act of bloody suppression." On each anniversary subsequently, the CPC invariably organized all kinds of activities, which reached a peak in 1977, the 30th anniversary of the uprising. Not only were mass rallies held in Beijing, Shanghai, Tianjin, Fuzhou, Guangzhou, Nanjing, and elsewhere, but they were all organized by local government and party leaders. Comments on the "28 February Incident" remained a staple of telegrams issued by the CPC.

Intriguingly, the CPC suddenly lowered its posture from 1978 onward and simply did away with the commemorative activities starting in 1980. I happened to be gathering materials for a story in Beijing in late February last year. Puzzled by the lack of response to the anniversary, I specifically sought enlightenment from an official in charge of united front work. He replied frankly enough, "This kind of activity goes too far, which is unfavorable to united front work."

Behind China's cooling attitude, apart from the importance it attaches to "harmony," is its ambivalence toward the "28 February Incident" itself. According to some of my well-informed friends in Beijing, a number of Chinese leaders argue that while the "28 February Uprising" was a struggle by the Taiwanese compatriots against external suppression, it also represented the rejection by the Taiwanese of the mainlanders. Would not a full endorsement of the rebellion heighten the consciousness of Taiwan independence? Reportedly this view is also held by some overseas scholars with close ties to Beijing.

#### Why Break the Silence This Year?

Whatever its feelings, the CPC's silence on the "28 February Incident" is a fact visible to all. There are reports that Taiwanese on the mainland, including non-party people from Taiwan who have settled in Beijing in recent years, and those living abroad with frequent contacts with the Chinese Communists, have complained about this and repeatedly asked senior CPC leaders to revive the commemorative activities.

#### Commemoration An Occasion to Unveil New Taiwan Policy

And a commemorative seminar was indeed held this year. Some say that it is an established practice to mark the 10th anniversary and each subsequent decade. I think this is a superficial explanation. A careful observation of the Communists' posture tells us that the spirit of commemoration this year differs from that in years past. It can be said that Beijing was using the occasion of the anniversary to unveil its new Taiwan policy.

#### Desensitizing the Incident and Heightening its Uniqueness

First of all, the commemorative seminar was beautifully planned. Its organizers were the Taiwan Democratic Self-Government League, the All-China Federation of Taiwan Compatriots, and the Taiwan Student Association. The first is a democratic party, the latter two, mass organizations. Sources in Beijing say that during preparations for the activities, there was a suggestion, later rejected by the CPC Central Committee, that the Chinese



People's Political Consultative Conference [CPPCC] be the sponsor. The political status of the Taiwan Democratic Self-Government League and the other groups is obviously lower than that of the CPPCC, but it was more logical for Taiwanese people in Beijing to organize such activities. What made this a master stroke was that it desensitized the activities, on the one hand, and was also in line with the uniqueness of the commemoration, on the other.

#### Chen Pixian Now In Charge of Detailed Taiwan Work

The most senior Chinese Communist officials to attend the seminar were Hu Qili and Chen Pixian. Hu Qili, whose duties in recent years reportedly include united front work, is invited to all major functions by the Taiwan Democratic Self-Government League and All-China Federation of Taiwan Compatriots. Although there are rumors among Western reporters that he is seriously implicated in the "anti-liberalization" campaign, on the surface at least his position remains unshaken and he still attended the seminar as the secretary in charge. As for Chen Pixian, reports say he is the party man handling the nitty-gritty of Taiwan work at the moment. His participation in person underscores the importance the CPC attaches to the "28 February Incident" commemorative activities.

CPC: "The Uprising was Forced Upon the People by the Authorities. It Was a Spontaneous Movement."

But most remarkable remains Beijing's new interesting assessment of the "28 February Incident." Seminar speakers all noted that the "28 February Incident" was an uprising forced upon the people by the authorities. Lin Liyun [2651 7787 7291], chairman of the All-China Federation of Taiwan Compatriots, summed up the nature of the incident as an "uprising to struggle for the basic needs of the people." Behind all this talk was the desire to clear up one thing: that the riot by the Taiwan compatriots against the KMT occurred spontaneously and was not masterminded by the communist underground in Taiwan.

Relevant publications put out by the CPC in the past typically interpret the "28 February Incident" as an armed uprising under Chinese Communist leadership. Which of these two interpretations is correct? According to historical materials I have come across, the overwhelming majority of commentators and participants argue that it was a spontaneous movement. Thus it seems that the "spontaneous" school is more consistent with historical facts. To suggest that it took place under CPC leadership shows an excessive readiness to oversimplify and conceptualize history and apply the model of KMT-CPC struggle universally.

CPC: "The '28 February Incident' Was Not Opposed to Non-Taiwanese."

Another point worth noticing is that in this year's commemorative speeches, the CPC emphasized time and again that the "28 February Incident" was not an anti-non-Taiwanese movement and certainly not the precursor of the Taiwan independence movement. As to whether or not it contained anti-non-Taiwanese elements and whether the scar it left behind has intensified Taiwan independence consciousness, these questions would probably be answered through

discussions. The CPC's courage this time to explicitly express its views on this sensitive and complex subject is undoubtedly a major improvement on the past when it kept dodging the issue or worried unnecessarily. While the tone of the denial was a little too strong, from the Communists' perspective of "mobilizing all positive factors to promote the great cause of unification," the broad-minded approach of burying the hatchet can only help dissolve the historical animosity that has enveloped Taiwan.

#### A Notable United Front Offensive

The CPC has finally abandoned its old claim that the uprising was "led by the party" and admitted its spontaneousness. This has not diminished the party's prestige. On the contrary, it conveys the good impression that the party now takes a realistic attitude toward history. In fact, not only do the Communists begin to analyze the "28 February Incident" objectively, but they are also encouraging overseas scholars to study the historical truth of the incident from an academic angle. The ramifications have put the KMT under immense pressures. Sources say the CPC is about to launch a series of offensives. In short, the best is yet to come.

#### Senior Chinese Officials Attend Symposium in the United States

Five Taiwanese and scholars from the mainland recently traveled afar across the ocean to New York to attend a "28 February Incident" symposium organized by the magazine TAIWAN YUSHIJE, the "Society in Support of Taiwan Democratic Movement" of Chicago, and the Los Angeles magazine TAIWAN SICHAO. Of the five delegates, four personally lived through the uprising and one was formerly a veteran senior official in the Central Propaganda Department. It was an impressive lineup, indicative of the CPC's all-out effort to expand its influence in academic circles overseas.

According to symposium participants, the meeting reached a consensus regarding a key issue--the nature of the "28 February Incident:" All agreed that it was a spontaneous, anti-tyranny act forced by the authorities on the people. This conclusion, which grew out of academic discussions, is entirely consistent with the CPC's latest evaluation. The implication is this: if the KMT and CPC can put aside old animosities and grudges and look at history rationally, scientifically, and in a detached way, a day will come when they can achieve a common understanding on many conflicts that have so far proved too tangled to unravel.

Seminar participants revealed that during the 2 days of discussions and social activities, the five delegates from the mainland repeatedly expressed the hope that overseas and domestic scholars and individuals interested in historical research would adopt a scientific attitude of academic inquiry to explore the truth of the "28 February Incident," an idea which should naturally be regarded as the CPC's position. Over the years the KMT has declared the incident "off-limits" despite a continuous demand by non-party personages on the island that the KMT handle the problems resulting from the incident fairly (such as making a public apology and paying compensation for losses.) No doubt the Communists' encouragement of inquiry is a powerful challenge to the KMT and a way to woo the masses on the island.

Naturally, in the interest of the grand design of KMT-CPC cooperation, Beijing would not want to push the KMT too far on the "28 February Incident" issue. From the seminar in Beijing to the symposium in New York, Communist delegates unfailingly followed up their discourse with high-sounding words about unification in order to court the favor of the people on the island, on the one hand, and nudge the KMT to "go forward," on the other. With its delicate combination of carrot and stick, this posture demonstrates in every way that Beijing is getting more seasoned and sophisticated in its united front tactics, in sharp contrast to the embarrassed silence of the KMT. It is now clear who wins and who loses in this propaganda war waged by the two adversaries.

#### Hu Yaobang's Resignation and Taiwan Policy

In the midst of my spirited discourse on China's Taiwan policy, I suddenly started thinking about the political climate in China lately. A major idea occurred to me: the abrupt end of the surging tide of student unrest, the resignation of Hu Yaobang, and the launching of the "anti-liberalization" campaign--all of that is bound to affect China's Taiwan policy. I discussed this with several friends in Guangzhou some months ago. As they see it, Hu Yaobang played only a nominal part on the leading group on Taiwan work and was not involved in detailed matters. The Taiwan policy, which revolves around the encouragement of peace talks between the two parties to promote unification, was formulated jointly by senior statesmen like Deng Xiaoping and Ye Jianying. After 7 or 8 years, its impact has spread far and wide to Taiwan and overseas. There is absolutely no reason why the CPC should now sing a different tune because its general secretary has resigned. Besides, the Communists have made it clear many times that "anti-liberalization" is an internal Chinese matter and has nothing to do with either Hong Kong or Taiwan.

Nevertheless, many Taiwanese still have numerous questions and doubts. Let me list some here: Why do the Chinese Communists recently keep announcing they have cracked case after case involving KMT spies? What is its purpose? On the one hand, the CPC severely condemns the bourgeois ideology. On the other hand, it encourages the continuous flourishing of capitalism in Hong Kong and Taiwan. How can one be reconciled with the other in actual united front work? There are signs of gradual democratization in Taiwan, where pluralistic political forces are slowly taking shape. How would that conflict with China's Taiwan policy? It seems that the answers to these questions can only be known as the situation evolves.

12581

CSO: 4005/542

## YU GUANGYUAN DISCUSSES BUILDING SPIRITUAL CIVILIZATION

Guangzhou GUANGZHOU RIBAO in Chinese 2 Jan 87 p 6

[Interview with Yu Guangyuan [0060 0342 6678], edited by Zeng Muye [2582 36686851]: "Yu Guangyuan Answers Questions on Building Spiritual Civilization"; 20 Oct 1986; Guangzhou; first two paragraphs are source-supplied introduction]

[Text] Synopsis: While developing a commodity economy and observing the principle of distribution according to work during the initial stage of socialism, it is ethically justified to allow some people to become prosperous in advance of others, within the permitted nonsocialist economic sector of China's production and business activities. The "Resolution" does not use anymore the formula "building socialist spiritual civilization with communist ideology at its core," because this formulation admits of diverse interpretations and may easily be interpreted as meaning that we are demanding today that the whole population embrace the theories of an advanced stage of communism. In the course of socialist development, the socialist commodity (market) economy occupies the dominant position, while planned economy means planned development of the said dominant constituent; the "tenet of the dominant constituent" is a new high point reached by our party at the 3d Plenum of the 12th CPC Central Committee. We also call the spiritual civilization needed by China's socialist modernization a socialist spiritual civilization, although actually some things in it have neither socialist nor capitalist character, merely because they are useful to China's socialist construction; they are part of the buildup of spiritual civilization in the course of China's socialist construction.

In the morning of 20th October 1986, the propaganda department of Guangzhou Municipality held a symposium for the study of the "Resolution of the CPC Central Committee on Guiding Principles for the Building of Socialist Spiritual Civilization." Comrade Yu Guangyuan, adviser to the Chinese Academy of Social Sciences and famous Chinese economist, accepted an invitation to attend and responded to certain questions by comrades regarding the guiding principles for building socialist spiritual civilization.



Question: What is the significance of the formulation in the fourth part of the "Resolution," where it says "ethics are a reflection of the economic base of a society, not an abstract concept divorced from history," and where it is furthermore pointed out that "China is still in the initial stage of socialism."

Answer: This is an extremely important question. As far as I know, this formulation was already used at the 6th Plenum of the 11th CPC Central Committee of June 1981, as it appears in the "Resolution on Certain Historical Questions Since the Establishment of the PRC." Later, it was used in the report by Comrade Hu Yaobang, representing the party, given at the 12th NPC. This was in August 1982. This time the Central Committee Plenum's "Resolution" has again affirmed the said formulation. The phrase used in the present "Resolution" reads: "Since China is still in the initial stage of socialism, we must not only apply the principle of distribution according to work and develop the socialist commodity economy and competition, but shall also, for a long time to come, develop varied sectors of the economy, and while always assuring the dominant position of the system of public ownership, shall encourage some of the people to become prosperous first, before the objective of common prosperity is achieved." The phrase between the words "not only" and "but shall also"--namely, applying the principle of distribution according to work and developing a socialist commodity economy--explains the difference between socialism (the initial stage of communism) and the advanced stage of communism. In the phrase following the words "but shall also," the "Resolution" affirms the special features of the initial stage of socialism in China. The "Resolution" affirms, first, that it is permissible to develop varied economic sectors while ensuring the dominant position of the system of public ownership, and, second, that it is permissible to encourage some of the people to become prosperous first, while the objective remains to achieve common prosperity. Thus, a theoretical basis is provided for the existence of varied economic sectors and for allowing some people to become prosperous first. It is extremely important to make it quite clear that China is still in the initial stage of socialism, because it is in this stage that it allows, in addition to its socialist economy, various nonsocialist economic components, or the existence of various economic components that are not altogether socialist, a fact which is beneficial for the development of its socialist economy. The only way to determine an accurate economic policy and promote the development of socialist production is to start out from the current realities. We have indeed done this during the last few years. Practice has proven this method to be absolutely correct. However, because we proclaimed already in 1956 that China had basically accomplished the socialist transformation of all means of production to public ownership, while there was no concept at that time of permitting the existence of varied economic components or the prosperity of some people in advance of other sectors in the initial stage of socialism, many people adopted the attitude of denying the possibility of varied components in the economy. Overcoming this mentality is a process that will require a certain period of time, and it is for this reason that evasive attitudes will prevail for a considerable length of time on the question of varied economic components. The only formulations used in recent years were "varied economic forms" and "varied business management patterns." In view of the current situation, the later use of "varied ownership patterns" indicates a certain progress, but because socialist public

ownership itself has "varied patterns," as, for instance, ownership by the whole people, by the collective, etc., the expression "varied ownership patterns" does not clearly express the idea of "varied economic forms." Although some economists have given very clear statements on "varied economic components," the clear affirmation of "varied economic components" in the "Resolution" of the Central Committee Plenum constitutes a great theoretical breakthrough. This breakthrough is closely linked with the acknowledgment that China is still in the initial stage of socialism.

We realize, therefore, that acknowledging that China is still in the initial stage of socialism is of major significance for the entire work of socialist construction. Since the resolution of the Sixth Plenum is a resolution on guiding principles for building a spiritual civilization, we can very clearly see from the content of the "Resolution" that it has an important bearing on the building of socialist spiritual civilization, especially on the theoretical and ethical work. For instance, the phrase which speaks of China being in the initial stage of socialism is used when discussing the question of determining and evaluating the criteria for socialist morality and moral concepts. There are presently differences of views on this question: some say we must develop commodity economy, permit competition, allow prosperity for some in advance of others, some say these ways are not ethical or not completely ethical. Are they then after all ethical or not ethical? The "Resolution" restates the basic concept of historical materialism on ethics when it points out: "Ethics are a reflection of the economic base, not an abstract concept divorced from history." Since China is still in this particular historical stage, the initial stage of socialism, the criteria for socialist ethics must reflect the economic base of this particular economy, from which it must derive the basic criteria for its socialist morality. According to the criteria of the "Resolution," we have to say that developing commodity economy is compatible with ethics, applying the principle of distribution according to work is compatible with ethics, production and business activities within China's permissible nonsocialist economic sector is compatible with ethics, and the prosperity of some in advance of prosperity for the broad masses is compatible with ethics. Egalitarianism must not be adopted as criterion for socialist morality. This is made very clear in the "Resolution." It clarifies one aspect of the significance of China still being in the initial stage of socialism with regard to building a spiritual civilization.

Question: Are "looking only for money" and "putting money above all else" valid ethical concepts?

Answer: They are not valid ethical concepts, but can be made acts subject to ethical evaluation. I understand your question to mean: Is it ethical to "look only for money" and to "put money above all else"? In a commodity economy, it is hardly possible not to pay attention to money, not to strive for profits, not to strive for economic benefit! Money will be indicator for the gross value of industrial and agricultural output and for whether we shall achieve a basic level of general well-being by the end of the century. Paying attention to the money aspect must not be rejected; it is compatible with morality. In some cases "paying attention only to money" can also be unethical, namely in places and at times when one should not "look only for

money." But when it becomes "putting money above all else" then it becomes wrong. "Putting money above all else" means considering only the monetary aspect, whatever the conditions of the case in question may be. Everything made into an absolute will of course turn out wrong. There are conditions in society when in my opinion "money has to be everything," but that is not as serious as some think. Some call "putting money above all else" when it is only a matter of paying more attention in the commodity economy to economic results and to monetary income. People who do so thereby much exaggerate such cases, overemphasize criticism, and broaden the scope for attacks on "putting money above all else." We cannot approve of any wrong ideas or actions and must, therefore, oppose them, but when opposition to certain conditions are made into a slogan, we have to see carefully what the consequences of such actions would be. For instance, is it correct to "place profits in command"? Certainly not; I did not, and still do not, approve of it, but voicing the slogan before and after the "cultural revolution" produced ill effects, because criticism of "placing profits in command" made enterprises fearful of energetically and emphatically striving for profits. The "opposition to putting money above all else" must not be made into a slogan. I approve, therefore, the fact that "opposition to putting money above all else" is not mentioned anymore in the "Resolution." In principle, the "supremacy of money," set forth in the "Resolution," is not much different from "putting money above all else," but I notice the following difference between the two: The term "putting money above all else" can be reduced to "money above all" and by criticizing "putting money above all else" in the reduced form of "money above all" can easily lead to confusion. This confusion has actually already been engendered. But "supremacy of money" does not easily lend itself to a reduction to anything else. The "supremacy of money," mentioned in the "Resolution," is therefore a much clearer term than "putting money before all else."

Question: Why does the "Resolution" not use the term "socialist spiritual civilization with communist ideology as its core"?

Answer: This is due to concern to avoid and correct empty talk of communism. Even though we are today in the initial stage of socialism, we are very far, very far indeed, from advanced communism, and no elements of advanced communism exist. It is like a human being at birth, no matter how small, a human being, cannot be said to have the elements of an old person. Placed in the initial stage of socialism one must do the things that have to be done in the initial stage of socialism. One must fight the struggles imposed by current realities and not engage in empty talk of communism; of course, as communists and advanced people we shall struggle for the realization of a society at the more advanced stage of communism. The "Resolution" expresses it well: "For us communists and for other advanced people, this ideal has been, is, and will always be, a source of strength and moral support." But we must definitely involve ourselves, energetically and enthusiastically, in the struggle imposed on us by current realities, and implement the struggle for the lofty ideal of communism within the struggle imposed on us by the current realities. Empty talk of communism can harm the state, a fact borne out repeatedly in China's history. In the spirit so clearly expressed in the "Resolution," I fully approve of the fact that there is no further mention in the "Resolution" of "building spiritual civilization with communist ideology



as its core." Because this formulation allows diverse interpretations, it can easily be interpreted as meaning that we demand today that all the people embrace the ideal of the highest phase of communism, that all people be imbued with communist morality, and that it is generally demanded that workers have the "communist work attitude" of working without concern for pay, for completing norms, or for fulfilling tasks, and work for undifferentiated incomes, etc. That would be divorcing oneself from realities. Abstaining from the further use of the said term is beneficial for the accomplishment of the current historical tasks. When discussing moral development, the "Resolution" points out the concept of our common ideal, namely to realize our modernizations, to have China's economy attain a level of general well-being before the end of this century, and to approach the level of the developed countries of the world by the middle of the next century. Mobilizing and uniting the people of all of China's nationalities by means of a common ideal and have them exert themselves, working together with one heart and in a down-to-earth manner, for the construction of socialism with Chinese characteristics, that is the task required to be fulfilled at the present stage of our development. Regarding the term "common ideal," we note that it is here the first time this term appears formulated in a party document, a fact which is of major current significance.

On the relationship between maintaining the lofty ideals of the party and the struggle imposed by current realities, the "Resolution" points out: "Building socialism with Chinese characteristics is an indispensable stage on the way to realize our lofty ideals. An indispensable stage is one that cannot be departed from. We members of the CPC must unite all people in a struggle for effective realization of the tasks faced at this stage. The following two sentences in the "Resolution" address themselves to such "leftist" empty talk of communism: "Any communist who lacks faith and dedication in this practical struggle has deviated, wittingly or unwittingly, from our lofty ideal and has ceased to be a politically conscious communist."

Some have asked: What is the difference between the statement in the "Resolution" that Marxism must guide building socialist spiritual civilization and the formulation that communist ideology must be its core? We know that the term "communism" has many meanings, of which one refers to communism as a doctrine, the ideological system of communism; there is hardly any difference between communist doctrine, communist ideological system, and Marxist doctrine and Marxist ideological system. However, the meaning of communism is primarily that of a social system. Speaking of communism as a historical movement refers to a movement that tries to advance a social system to one of communism. Speaking of communism as a doctrine, as a kind of ideological system, we see it as a doctrine that expresses the belief that human society is bound to move toward communism, a movement that can guide progress toward communism, that, furthermore, needs to be propagated among the masses, an ideological system that will arm the masses ideologically. As a social system, it may be understood as the general communist system (including the socialist system), and can also be understood as the higher stage of the communist system. Because there are these many meanings, particularly because there is the meaning of constituting a social system, the use of the phrase "building a spiritual civilization with communist ideology at its core" easily engenders the earlier mentioned ideological confusion. Marxism has only the



meaning of a doctrine and ideological system, and not the meaning of a social system; there is no such thing as a "Marxist society." So there is a considerable difference in speaking of the development of China's spiritual civilization as being guided by Marxism and saying "communist ideology to be its core." The former avoids the shortcomings of the latter.

Question: When the "Resolution" in its third part speaks of "building socialism with Chinese characteristics," what are after all the aspects of socialism with Chinese characteristics?

Answer: Building socialism with Chinese characteristics is something still in the process of being carried out, explored, and developed. In the 4 years since Comrade Deng Xiaoping put forward this idea in his opening speech at the 12th NPC, it has been continuously enriched and developed, as evidenced by many important party and state documents. There have also been some statements by theorists. But we must admit that no complete summation has yet been made of this important topic, which still awaits further enrichment in substance. I think to answer the question well requires a further period of practice and theoretical research. After some time, I think, the question can be fully clarified, but to get an answer to the question will need further continuous development and enrichment in actual practice, and the process may be of considerable duration, lasting until there will be need to have a new formulation take the place of the present one. Everybody knows that in China's new democratic revolution, resulting from the summation at the Seventh CPC National Congress, we gained victory by following a guiding ideology obtained from integrating the universal truth of Marxism with China's practice. Following this ideology, China's new democratic revolution developed many typically Chinese characteristics, for instance, the revolutionary war of the peasantry, the revolutionary way of villages encircling cities, revolutionary bases, etc., all being creations of the Chinese party. When Comrade Deng Xiaoping proposed building socialism with Chinese characteristics, he also followed the same guiding ideology. We are now engaged in socialist modernizations which constitute an overall socialist transformation, a great undertaking also with Chinese characteristics. We have to study what special features appear in our current socialist construction and transformation. Once we have a firm grasp of China's characteristics, our general and specific policies will become attuned to the current stage of China's national condition, and we shall make smooth progress in our undertaking.

Of course, today is very different from the times of the new democratic revolution. At the time of the new democratic revolution, for the theoretical basis of that revolution, there had been available fairly completely Lenin's theories on the question of imperialism and colonies, and on the democratic revolutions of colonial nations, or so to say fairly ready-made universal tenets. But there are no such readymade Marxist universal tenets on socialist construction and transformation, which makes it necessary for us to develop them ourselves. The 3d Plenum of the 12th CPC Central Committee affirmed that socialist economy is still a kind of commodity economy--socialist commodity economy is a marked special feature of China's socialist construction as well as a great development of the universal tenets of Marxism. On the question of the relationship between planned economy and commodity economy (also called

market economy), there are three different concepts: One concept holds that planned economy is socialist, that commodity economy (market economy) is capitalist, and that both are mutually exclusive. This understanding is still widely prevalent among Western economists, and also a view held by many in the socialist countries. A second concept is that it is possible to integrate a planned economy with a commodity economy; this is a view already quite widely held in socialist countries. Some see this kind of integration as inevitable, temporary, and limited; other scholars adopt a positive attitude toward the integration. There are also some in the West who share this view. A third concept is that in socialist countries the socialist economy is still one of commodity economy, therefore a socialist planned economy is merely a planned development of a commodity economy. As regards planned a commodity economy, there are now two very different views. One view is that since our plans are already plans for the development of a socialist commodity economy, a socialist commodity economy is by nature a planned commodity economy. Another view is that it is absolutely necessary to use planning to control the commodity economy. This planning is an external matter imposed on commodity economies, and it is only after imposing this external plan control over the commodity economy that this commodity economy is of a socialist character.

I share the first view of the third concept. I believe that the reason why a socialist commodity (market) economy is of a socialist character is its having a socialist relation; the reason is not that it is controlled by certain external planning. In the course of developing the socialist economy, the socialist commodity (market) economy is the dominant part, and planned economy is the planned development of this dominant part. The first concept stated in the above is the "theory of exclusiveness," a concept of the lowest level of validity. The second concept is a "theory of integration," a concept of a comparatively higher level. The "theory of the dominant part" is of the highest level of validity and attained the height of recognition at the 3d Plenum of the 12th CPC Central Committee. I therefore believe that this is a development of the universal tenets of Marxism. We must, on the one hand, endeavor to develop some universal tenets of Marxism where socialist construction is concerned, and, on the other hand, integrate them with the practice of China's construction and transformation.

Question: When discussing the relationship between Marxism and the building of socialist spiritual civilization, the "Resolution" in some places speaks of "guidance by Marxism" and in other places of "guidance by Marxism-Leninism and Mao Zedong Thought." What is the difference between these two formulations?

Answer: On principle, there are no differences. Lenin was organizer and leader in the revolutionary victory of the Russian October Revolution and founder of the first socialist country of the world, the Soviet Union. He was a man who developed Marxism during the historical period when capitalism was developing into imperialism, and held the highest position. Comrade Mao Zedong was organizer and leader in China's new democratic revolution, he was in the position of founder of the PRC, and his contributions to Marxism are affirmed beyond doubt. The "Resolution" at one place therefore refers to "guidance by Marxism-Leninism and Mao Zedong Thought," which in my opinion is necessary. However, generally speaking, our enterprise of building a socialist spiritual civilization requires the guidance of Marxism; Leninism and Mao

Zedong Thought are developments of Marxism, and we need not stop at the limits to which they have developed Marxism. The "Resolution" at other places, therefore, only refers to "guidance by Marxism." This formulation is more comprehensive and allows more substantial development. The "Resolution," for instance, says: "In all our theoretical, ethical, and cultural developments and in the buildup of our democratic legal system, we have to depend on the guidance of Marxism, we have to depend on the theoretical development of Marxism," which is a very clear statement in this respect.

The theoretical development of Marxism is very important. The "Resolution" emphasizes the necessity to develop Marxism. It points out that Marxism is a science that constantly enriches and develops itself in keeping with historical and scientific advances. It certainly does not exhaust truth, but constantly opens avenues to acquire truth in practice. The "Resolution" says: "Only by proceeding from reality, making practice the sole criterion for verifying truth, courageously breaking with all those judgements and conclusions that have proven wrong in actual practice or as not in keeping with changing realities, and refraining from the use of ossified concepts to judge life, that is the only way in which Marxism can advance in line with life. That is the way both to uphold Marxism and to develop it, the two being integrated in our practice of revolution and construction. It would be impossible to uphold Marxism without giving consideration to viewpoints of practice, of development, and of creative development. It is wrong to regard Marxism as rigid dogma. It is also wrong to negate its basic tenets, view it as an outmoded theory, and blindly worship certain bourgeois philosophers and social doctrines." The "Resolution" expresses it well in these sentences. Because if we do not make efforts to develop Marxism, we will not be able to resolve current problems; how could we then be able to uphold Marxism? The little word "and" in the last sentence deserves our attention. The trend we must oppose is that negating the basic tenets of Marxism and regarding Marxism as already "out of date," will lead us to turn toward worshipping bourgeois philosophies and social doctrines. As to how to deal with bourgeois philosophies and social doctrines, there is no statement here in the "Resolution." Of course, we must study all the various bourgeois philosophies and social doctrines. We must approach them with a correct attitude. Whether we will adopt anything in them that is of use to us, or whether we oppose their fallacies, we must first approach them and study them, and, moreover, study them with an objective mind.

Question: What is the difference between socialist and capitalist spiritual civilization?

Answer: Emphasizing today that it is a socialist spiritual civilization mainly indicates that we are to build a spiritual civilization that is needed in China's socialist modernization. The spiritual civilization needed in the socialist modernization we also call a socialist spiritual civilization, but it actually contains some things that are neither of socialist nor of capitalist character. Matters in this world are not all either of socialist or of capitalist character. The results of the natural sciences, which of course are part of the spiritual civilization, are truly of this character. It is only because they are of use to China's socialist construction, that they are party to the building of socialist spiritual civilization within our



socialist construction and that the "Resolution" includes them in the scope of socialist spiritual civilization. Of course, certain parts of spiritual civilization clearly have socialist characteristics. For instance, there are differences between criteria for socialist and for capitalist morality and moral concepts. Also, for instance, Marxism as the guiding principle is only present in the building of socialist spiritual civilization. There are also some other very complex circumstances, in which an intensive scientific analysis is required. There are also some things of socialist character which are derived from things of capitalist character. The "Resolution" points out: "In the history of mankind, in the struggle of the rising bourgeoisie and the working people against feudal autocracy, the concepts of democracy, liberty, equality, and brotherhood took shape, marking a great mental emancipation of mankind. Although Marxism discriminately incorporated these concepts of the bourgeoisie, it differed with them in principle." This was here expressed for the first time in this way in a party document. In the past, we simply rejected what we thought were things to be criticized, today we adopt an attitude of discriminately absorbing them; this too is a change.

Question: Some find the "Resolution" deals too much on principles and is not specific enough. People engaged in ideological-political work find on reading the "Resolution" that it is unsatisfying, giving no place to ideological-political work, and not dealing with the treatment of cadres in political-ideological work and other such questions. What is your opinion in this respect?

Answer: This document intends primarily to solve major problems of principle and of ideological guidance, as the "Resolution" explains toward the end of its eighth part: "The present resolution is designated above all to solve certain questions of further clarifying the guiding principles in building a spiritual civilization." This indicates that the nature of the document is to be one of outline, to solve the problem of providing a guiding principle for the overall situation. It was therefore impossible for it to include everything on specific questions. Since it emphasized solving some major questions of principle, the party organizations of the various departments, localities, and units are left with the problem of "how to provide concrete implementation." If no one will work for their implementation, the principles determined in the document would lose all significance. People engaged in political-ideological work must of course establish their own working status, but their status cannot rely on what others provide for them, but must rely on own work and own efforts. If people engaged in political-ideological work show themselves capable of correctly solving the new questions continuously arising in real life, capable of answering the questions arising in the people's ideology and understanding, capable of answering them well, and providing the people with genuine assistance, they will improve their image in the minds of the masses, and will thereby also solve the problem of status and function of so-called ideological-political work. Merely pointing out importance in documents without applying them in work remains a dogmatism which is ossified stuff and cannot solve this problem. In my opinion, comrades engaged in propaganda and theoretical work must from this point on start to update their own concepts. After that will have been done, there is hope that work will be done effectively. At present, as far as we are concerned, it is necessary to conscientiously study the document and to correctly understand the vital essence of the document, as we shall only then be able to effectively take in hand the building of a socialist spiritual civilization.

## LIU BINYAN'S 'SELF-EXAMINATION'

Hong Kong CHENG MING [CONTENDING] in Chinese No 108, Oct 86 pp 70-74

[Article by Liu Binyan [0491 6333 7159]: "I Do Not 'Dwell on the Seamy Side of Things'"]

[Text] Since early 1979 when my rightist problem was rectified, I have published reportages and news stories (on foreign nations) totaling more than 700,000 characters. Of these 400,000 characters, or over 60 percent, report on such advanced personalities as Zhu Boru [2612 0130 0320] and Zhang Haidi [1728 3169 6611] and on the gratifying changes that have taken place on the economic front and in people's livelihood, party style, party discipline, and other areas under the guidance of the CPC Central Committee's current line in such provinces as Sichuan, Guangdong (including the special economic zones,) Jiangsu, Liaoning, Henan, and Hebei as they seek to bring order out of chaos following the 3d Plenary Session of the 11th CPC Central Committee. About 200,000 characters, or 23 percent, expose the crimes of the "gang of four," the pernicious influences of the Cultural Revolution, the continuing evil deeds of the "three kinds of people," the unhealthy party style, and the abuse of public office for personal interests by cadres. In addition, about 100,000 characters, or 14 percent, deal with other matters, both their positive and negative aspects. Thus we can see that I do not "dwell on the seamy side of things."

The impression that I do and the evaluation of the social effects of my works to a large extent result from the fact that some comrades have not had a chance to read my works but instead have been more exposed to criticisms of and charges against me, which frequently take the form of Class I party committee documents. As some comrades have pointed out, I have indeed written mostly critical works and exposes since the publication of "Between Man and Evil" in September 1979. But my articles on advanced individuals or in praise of the "four modernizations" and reform achievements were almost invariably condemned or accused of being "untruthful" by the local party committee or individuals just because they were a shade critical.

My works are not completely free from "untruthfulness." But are charges of "untruthfulness" totally true? Let me outline the relevant circumstances:

#### 1. "Between Man and Evil"

It lays bare the social factors which made it possible for the Wang Shouxin [3769 1343 0207] corruption case to occur. No criticism of the leadership on the provincial CPC committee is made.

Leaders on the Heilongjiang Provincial CPC Committee kept up attacks on the article for 3 years. In the summer of 1980, an investigation team headed by Comrade Tang Dacheng [0781 6671 2052] was dispatched by the Central Propaganda Department to make an on-site inspection. Its conclusion: "Between Man and Evil" should be affirmed. While there is a number of inaccuracies in the article regarding some minor details and characters, the main defect of "Between Man and Evil" is not "untruthfulness," but its failure to probe deeper into the problems in question. Even after the report was shorn of its very mild criticism of the provincial committee, the latter did not approve it.

In 1982, HEILONGJIANG RIBAO published in full a lengthy article "On the Untruthfulness of 'Between Man and Evil'" written by the Propaganda Department of the provincial party committee. It caused an uproar throughout the province. We can see from this article and from the talk of the county and provincial party committees that what bothered them most about "Between Man and Evil" is not its untruthfulness, but its invalidation of their claim that the "party style has basically improved" in Bin County and Heilongjiang after the smashing of the "gang of four." In addition, the article criticized this writer for portraying good people in too positive a light, and bad people (those who have committed serious errors and crimes) in too gloomy a light.

#### 2. "Wounds That Have Not Healed"; "A Long and Winding Road"

The article exposes the "three kinds of people" in the Linyi area and Yinan County in Shandong along with their henchmen and a handful of old cadres who followed them in their evil deeds. In the dozen years or so since they seized power during the Cultural Revolution, these people killed and injured loyal and virtuous citizens and devoted themselves heart and soul to Lin Biao and the "gang of four." Unrepentant after the 3d Plenary Session of the 11th CPC Central Committee, they frantically opposed the line of the 3d Plenary Session, wilfully hurled insults at leading comrades on the CPC Central Committee, and refused to redress cases that had been mishandled or involved a miscarriage of justice. Factional forces continued their feudal fascist rule, cracking down on people who disagreed with them, greedily profiting themselves, and damaging the national economy.

The Shandong Provincial CPC Committee, headed by Bai Rubing [4101 1172 0393] allowed the prefectural and county committees to conduct three investigations. In their reports to the CPC Central Committee, they continued to stand facts on their heads, claiming that the good characters in my article were actually bad characters and vice versa, flagrantly deceived the Central Committee, protected the "three kinds of people" and factional forces which had done all

kinds of evil things for years, and falsely accused my article of being "grossly untruthful." After my collection of articles "The Difficult Take-Off" was published in 1982, Linyi and other places in Shandong were ordered to ban its sale.

Following the reorganization of the Shandong Provincial CPC Committee in 1983, provincial party secretary Liang Buting [2733 2975 1656] told this writer and others that "The Long and Winding Road" was totally consistent with the facts.

### 3. "The Difficult Take-Off"

This is originally an eulogy of the outstanding achievements in reform of one individual--Director Li Risheng [2621 2480 0581] of the Second Light Industry Bureau of Dandong City in Liaoning Province. Nothing in it is factually inconsistent with the close to hundred reports in the provincial and municipal press. But just because it makes a few references to the resistance he has encountered on the road to reform and criticizes deputy municipal party secretary Wang P- [3769 7729] and one person who started out as a rebel, without actually naming them, the work met stiff opposition.

Documents from the Dandong municipal party committee transmitted to the Central Committee via the provincial committee refuted just about each and every one of Li Risheng's achievements I wrote about, in effect repudiating the entire work itself, which was denounced for being "grossly untruthful."

In the summer of 1982, two comrades from the Investigation and Research Section of the central Ministry of Light Industry conducted an investigation of the Second Light Industry Bureau in Dandong. Later Vice Minister Xu Yunbei [1776 6663 0554] went to the bureau and stayed there to gain firsthand experience. They verified that the reports on Li Risheng's deeds were totally accurate and publicized the experience of the second bureau nationwide.

My report hurled Li Risheng, who was then about to be promoted, into an abyss of endless harassment and suppression. Only 3 1/2 years later, in the summer of 1984, was he (52 years old, elementary school graduate) appointed director of the Light Industry Department of Liaoning Province in a break with tradition.

### 4. "Good People, You Should Not be So Weak!"

Shenyang station-master Wang Qingzhi [3769 0615 2535] is cited as evidence that determination and drive alone can transform a faction's old den into an advanced unit in the nation. It praises Feng Kehan [1409 0668 3211], a member of the provincial Discipline Inspection Commission and a veteran party member, having joined the CPC in 1928, for hating evil like an enemy and chronicles his unwavering struggle with the factional elements and people who abused public office for personal gain.

This article provoked intense displeasure among members of the Liaoning Provincial CPC Committee. At a meeting in 1982, Comrade Guo Feng [6753 1496], the provincial party secretary, openly handed a copy of the article to Comrade Hu Yaobang, saying, "Many of the things inside are not true."



Today, 3 years later, I still do not understand in what way the article is untruthful as the provincial party committee has never provided me with written materials. I learned through personal channels that one incident in the article was inconsistent with facts. In it I described a rebel group in Ludashi "beating up the head of a radio station, causing his deafness." In fact, he was beaten up but did not go deaf.

The article was based on details given to me by leading comrades on the provincial Discipline Inspection Commission and on statements by prefectural and municipal inspection personnel at a 3-day conference (which were subsequently verified one by one) I attended.

#### 5. "Deeds and Misdeeds Through the Ages"

It describes how conditions created by the 10-year Cultural Revolution led to the corruption of the party organizations and party style and the fall of Qing Suqiong [7230 4790 8825], born in 1952 during the three-anti's campaign, who was charged in the nation's biggest personal corruption case. It extols several accounting personnel who, fearless in the face of attacks and retaliation, waged a determined struggle against the corrupt and their patrons in order to safeguard the national interest.

I used only fictitious names for places, people, and units in the article to avoid disputes. Still it was criticized and attacked by some comrades.

Former party secretary at Panzhihua Mining Company, Han Zongshun [7281 1350 7311], known as He Zhongye in the article, went to Beijing to distribute a large number of letters of accusation, denying that he followed the "gang of four" and engaged in the "two breakthroughs" on a large scale during the Cultural Revolution. He denied that he later shifted the blame onto somebody else, launched an unbridled attack on the innocent during the "investigation" in order to cover up himself, formed cliques and factions, and practiced nepotism. He also launched personal attacks on this writer.

Nevertheless, Han Zongshun's past and present work units all sent in letters bringing to light his other similar problems. For instance, after he was appointed chief of Huainan coal production command, the cadres there wrote a reportage "He Zhongye Assumes Office" based on his various exploits (similar to those at Panzhihua) at Huainan.

The Anhui Provincial CPC Committee and Huainan municipal CPC committee became very dissatisfied with Han Zongshun's tyrannical ways and nepotistic practices and have now dismissed him.

#### 6. "It is a Time for Dragons To Rise and Tigers To Leap"

It eulogizes the achievements of the Zhuhai and Shenzhen Special Economic Zones [SEZ's], commends SEZ workers on their ethic of hard work, and publicizes the profound significance of the development of SEZ's and the policy of opening to the outside world. The names of people and places are fictitious.



The mayor of Zhuhai, Comrade Guan xx distributed letters accusing this reporter. Investigations show that he did indeed form factions and break the law. I made an error regarding his experience. In the early years of the Cultural Revolution, he was away from Hainan for a while and did not take part in the rebellion at the time.

#### 7. "How A Fly Became An Elephant"

Since many people still went to Beijing to appeal to the higher authorities for help, leading comrades at the center became anxious about some cases which have remained unsolved for years. I selected and wrote up a case which grew out of a minor incident--two female workers coming to blows--and was still unsolved after dragging on for 8 years.

Afterward the Gansu Provincial CPC Committee wrote to the Central Committee criticizing the article as "untruthful." Their main contention was that the party secretary at Tianshui Diesel Engine Plant, Wang Mulei [3769 3668 4320], did not retaliate against female worker Xie Cheng [6200 6134] and hence it was unreasonable of her to keep applying for an audience with the higher authorities.

In fact, after conducting its first two investigations of the case, the provincial office concluded that Wang Mulei had acted unfairly and held the party committee responsible for the fact that the case languished so long. The third investigation made no mention of this and regressed on other points as well. After the article was published, personnel were dispatched to conduct a fourth investigation. They concentrated on collecting materials unfavorable to Xie Cheng and this writer and favorable to Wang Mulei and refused to interview all those who exposed him. At this time, this writer received letters exposing Wang Mulei from the workers at three factories where he had worked. They affirmed that Wang Mulei habitually sought to retaliate.

Recently, after intervention by the Central Discipline Inspection Commission, the Office of the Gansu Provincial CPC Committee finally applied the policy to Xie Cheng. It offered her economic compensation, made her cadre based on her technical secondary school qualifications, and found her a job. (Comrades Li Minsheng [2621 7044 3932] and Zhou Yingkui [0719 2019 7608] of the central Discipline Inspection Commission are familiar with the details involved.) However, Wang Mulei was not held accountable for the incident.

#### 8. "Thirty-Eight Years of Rights and Wrongs"

It tells the story of a peasant-cum-small peddler, Guo Jianying [6753 1696 5391], who raised 11 million francs by borrowing from every source for the 5th division of the New Fourth Army in 1946 when the beleaguered division, under siege in southern Shaanxi, was in a most precarious situation. For the next 3 decades and more, Guo Jianying worked to pay off the loan through his own efforts. Since 1958, particularly during the Cultural Revolution, Guo Jianying was endlessly harassed politically and economically, his family of 10 suffering untold hardships. Through it all the Xian municipal party committee never implemented the policy as far as he was concerned.

This report contains no untruthfulness. In view of the complex situation in Shaanxi situation, I put off publication several times for 5 months after the manuscript was finalized. No advance copy of the report was sent for review, as required. The editor-in-chief assumed full responsibility.

#### 9. "The Second Kind of Loyalty"

This is about two young people, Chen Shizhong [7115 0013 1813] and Ni Yuxian [0242 5148 6343]--who, out of their deep love for the party and people, ignored personal safety and, at a critical historical juncture, stood up to the perverse acts of Lin Biao and the "gang of four" by either directly admonishing the top leaders at the risk of death or defying brute force.

The party committee of the Shanghai Maritime Transport Institute did its best to prevent the article from being published. Afterward it repeatedly wrote and sent messengers condemning the article as "untruthful." Essentially it denied all Ni Yuxian's good deeds and sought to dig up all the filth heaped on him during the Cultural Revolution. (In early 1976, Ni Yuxian defied the risks and twice posted big-character posters calling for Deng Xiaoping's comeback and the rehabilitation of people arrested in the Tiananmen incident. He was arrested and was almost executed. Although the party committee at the academy could not deny this, it tried to minimize and belittle it.) Toward that end, they sent out investigators to gather testimony and, on that basis, concluded that Ni Yuxian did not write to Chairman Mao Zedong in 1962 suggesting a change in rural policy and that he has never written a critique of Zhang Chunqiao's [1728 2504 2890] article "On The Total Dictatorship Toward the Bourgeoisie" and sent it to the Central Committee.

I traveled to Shanghai with two comrades for an 20-day investigation in April this year and found evidence that the report was correct. Recently I succeeded in tracking down Ni Yuxian's 1975 letter. (The report put out by the institute asserts that there was no such letter.) In the course of our research, we discovered that the institute has had very serious problems since the Cultural Revolution. When it learned that we intended to make public their report and our investigation findings at the same time, it proved most obstructive and even threatened us that if the disclosure was made, "faculty and students would petition Beijing."

Reportedly some comrades object to the theme, thought, and contents of the article. If something is really amiss about my works in these areas, I hope comrades from the theoretical and literary circles can gather together to discuss them. Or they may criticize my errors openly in published articles.

Looking back at my writings over the last 6 years, I think politically I have actively supported the line, principles, and policies of the 3d Plenary Session of the 11th CPC Central Committee and both the theme and thought in my works have been consistent with the Central Committee's policies of bringing order out of chaos, thoroughly refuting the Cultural Revolution, rectifying the party style, carrying out reforms, and building the two civilizations.

Owing to my careless work habits, my incomplete understanding of China's complex social conditions, and other reasons, there have been some errors:

1. My news-gathering habits are not rigorous enough (although the conditions of investigation and verification are indeed much more difficult now than in the 1950's.) Some of my reportages contain a few erroneous details.
2. A number of my articles are intended to raise an issue to draw social attention, not to evaluate local party committees, and therefore do not cover the latter's achievements more thoroughly.
3. I am impatient and act impetuously at times. While fictitious names are used for the targets of criticism in most cases, it would have been better to minimize mentioning by name.

A certain central leading comrade's criticism together with his instruction that I be disciplined in accordance with party regulations made its way from level to level within the Shaanxi Provincial CPC Committee recently and has become public knowledge in Xian. In provinces and municipalities like Shanghai, Heilongjiang, Liaoning, and Jiangsu, rumors about me were so rife that it was hard to tell fact from fiction. Some rumors had me saying in Jiangxi, "Communism has cancer." Some suggested that Comrade Hu Yaobang summoned me for severe criticism three times, that I have been ordered to stop writing for 1 year, that I have been ordered to withdraw from the party by a leading comrade for insisting on accepting an invitation to visit the United States (in fact 2 months before my conversation with this leading comrade, I had already turned down the invitation by the Newman Foundation of Harvard University,) that I was forced to cancel my visit to West Germany at the airport because of serious problems (it was closer to the truth. RENMIN RIBAO declined the invitation from the West German embassy on 19 May, 6 days before the scheduled departure,) and that the Central Committee has decided to remove me from the vice chairmanship of the China Writers' Association.

So far I have heard, indirectly, (and hence inaccurately, perhaps,) that leading comrades at the center have criticized me thus: "has not learned from the anti-rightist campaign of 1957;" "every time he writes something, people complain;" "mentions names too often;" and "like what they did in the Cultural Revolution." Apart from individual leaders on provincial committees, I have not heard that anybody has accused me of being "anti-party" and "anti-socialism" or "profiting myself through reporting," etc. While there were those among people I have criticized who accuse me of "fabricating false charges" against them and declare that they would hold me legally liable, no one thus far has actually filed suit against me. I was amazed therefore to learn the news circulating in a number of provinces that there are proposals that the party take disciplinary action against me.

Now the party has begun examining me. To help the central comrades understand the situation better, I provide the following relevant information:

A number of comrades have often advised me over the past few years, "More than 2 decades ago, your entire family suffered because of the very things you wrote. The situation today is quite treacherous. Better not write." Why have I not listened to their advice and given up reportage writing?

1. In the past 6 years, I received over 40,000 letters from readers. Most of them said they felt encouraged after reading my works because the latter reveal the determination of the CPC Central Committee to support justice, remove evil, and overhaul the party's mode of conduct. They were also inspired by the stories of individuals who firmly adhered to the truth and party principles and, ignoring personal safety, bravely struggled with the "three kinds of people" and those who abuses public office for personal gains. As a result, their courage to take on the evil forces around them was enhanced, as was their confidence. Many readers sent in constructive ideas regarding structural reform and party construction. Fewer than 10 letters voiced objection to my writings (excluding letters of complaint from those who have been criticized.) My understanding is that because many writers no longer write about the things people are most interested in, that is, major conflicts in social life, more and more readers are drawn to my works. This strengthens my resolve that my works must have practical social effects and benefit the party.

2. The current party style and popular disappointment worry me. I am aware of and have reported on the restructuring that has taken place in provincial and municipal leading organizations and the rising prestige of the party in some localities and units. At the moment I am writing a report on the improving situation in Sichuan. But there are also places where exactly the opposite is happening. In 1984, four reporters including myself went to the Linyi area in Shandong and worked out a number of problems in Yinan County with the prefectural party committee. I assumed then that the situation would improve after the restructuring of the prefectural party committee. I learned lately, however, that factional forces remain rampant and that the masses' legitimate rights are still savagely violated. On 31 August, I received three letters from the Linyi area in Shandong, which tell of three deaths--a teacher and two commune members were beaten to death without cause or reason. While the murderers went unpunished, attempts were made to use public funds to buy the silence of the family members of the deceased or actually to intimidate them from complaining to the higher authorities. (Two of the deaths occurred in Yinan County, the subject of my expose in 1980. It was also in August 2 years ago that a Yinan peasant surnamed Wang was beaten to death at the local police station. Then too someone offered 10,000 yuan in hush money to his family members.) It is quite common for good people to be unprotected and bad people to go unpunished. Even when the CPC Central Committee conducts an inquiry into a long-drawn-out case, at best the victims are rehabilitated to a certain extent and offered limited compensation, while the wrongdoer is left free to join the party and be promoted just the same. If we go back a little, there was the case of Song Xiulan [1345 4423 5695], an accountant, in Daxinganling in Heijiangliang and more recently, the case of Yu Cuifang [0060 5050 5364] of the Electricity Supply Bureau in Tong County in Beijing. And then there was



this bizarre case: for 24 years someone appealed to the higher authorities for help. His family was broken up, some gone, some dead. Party committees at all levels, including the CPC Central Committee, sent out a total of 10 investigation teams. Four years ago, they hastily closed the case. Even today, however, they do not have a clear understanding of the nature of the case or its rights and wrongs. Those who tried to seek help were arbitrarily arrested and sentenced to reform through labor. Over the past few years, my office has been stuffed with materials on both old and new cases now being appealed in Shaanxi, Shandong, Heilongjiang, and Sichuan. They involve fabricated charges and unjust verdicts. There has been an endless stream of visitors to my house. These cases are originally the internal affairs of the relevant party committees, discipline inspection commissions, and judicial departments at all levels, but as a citizen and party member, not to mention reporter and writer, how can I sit idly by and do nothing?

3. There is no denying that because the rectification of wrongdoing has never been put on the agenda of the press, the differences of understanding since 1957 regarding the social mission and function of reporters and writers have never been really reconciled. To my mind, the appearance of social division of labor determines that people in a particular profession should serve society in their own unique way. To use a figure of speech, running a nation is not like conducting a one-instrument ensemble, but a symphony orchestra. Only when the players play a similar or different tunes on their instruments at different times can they produce a beautiful melody. Experience in the past 20 odd years shows that it is not necessarily the most effective way to achieve unification for writers and reporters to sing the same tune, make the same noises, and speak the same language as party and government organizations. ZHONGGUO QINGNIAN BAO carried a dispatch entitled "A Store That Should Not be Operated" in 1956. It criticized Harbin for operating an unmarked store to supply cadres at middle level and above with commodities in short supply at low prices. Over 30 reporters at three newspapers at the central, provincial, and municipal levels were branded "rightists" in the anti-rightist struggle as a result of this 1,000-character report all because they made noises unpleasant to the ears of the municipal committee and exposed the "seamy side of things." Just think: had reporters been allowed to play a limited supervisory role at the time, the party's prestige may not have been damaged, and it would certainly have done something to check the decline of the party style. It is distressing that today, 28 years later, the party style problem in Harbin is much more than just a question of operating a store which should never have been opened.

These are the reasons why I cannot totally accept the criticisms and charges made against me by some party committees and leading organizations over the past 6 years. First, none of my critical reports exaggerates the problem exposed, despite occasional lapses regarding details. In fact, they do not go far enough. Second, more often than not, the phenomena I criticized have not abated or disappeared but have actually deteriorated, locally and even throughout the province concerned. Third, some charges of "untruthfulness" are justified. I have accepted and rectified them. But criticisms leveled at critical reports are often intended to check criticism, not to improve and strengthen legitimate criticism. To get a clear idea, all we have to do is to compare what is in a provincial newspaper and the realities in the province,

including problems that the press is obviously able to help solve. Another piece of evidence is that there are also objections to some of my criticisms which are totally truthful.

One year after Liaoning Party secretary charged that my article exposing the impurity in party organizations contains "many falsehoods," a plane was hijacked in the province, an incident which gained world-wide attention. (There was also the "two Wangs" incident.) During the inquiry into the hijacking, the provincial CPC Committee admitted that it grew out of the "extremely unhealthy party style" and "grossly impure party organizations." In fact, the hijacking could have been prevented. Two years earlier, an accountant at the electrical machinery company under the provincial Material Supply Bureau had discovered that Zhuo Zhangren [0587 7022 0088], the principal in the case, had committed serious economic crimes and repeatedly brought them to the attention of the proper authorities, all to no avail, unfortunately. What harm would have been done had a reporter been permitted then to expose Zhuo Zhangren in the press? Only Zhuo Zhangren and his fellow criminals would have been hurt because they would not have been able to continue their corruption and theft and 2 years later, made their getaway by hijacking one of our planes to Taiwan to seek pleasure and carry out activities damaging to the nation's image.

Accordingly, I venture to wonder whether party leadership should not, first and foremost, be leadership by the line, principles, and policies of the CPC Central Committee. The present situation is this: some cadres break the law, violate discipline, shield the "three kinds of people," and sabotage economic reform--and are sheltered by the party committee above. In their capacity as party leaders, the party committee gives them "exemption" and puts them off limits, beyond the reach of good party comrades, members of the public who want to defend the party's interests, the news media, and even the discipline inspection commission. In their helplessness, the latter's only recourse is to appeal to the CPC Central Committee. Xian party secretary Ying Huanwu [1693 3562 0710], for instance, told all comrades at XIAN RIBAO openly more than once, "You must stay in line with the municipal committee. Otherwise, what is the point of having you editors and reporters?" As a result, provided his immediate boss takes him under his wing, a person can act wantonly because the procuratorial organs and people's courts are subordinate to the party committee. Even repeated instructions by senior leading comrades on the CPC Central Committee can be ignored. In my humble opinion, this is one reason why in recent years the party style has been corrupted, economic reform has been stumbling along, state revenues have been pouring into private pockets, party rectification has not been effective, orders have not been carried out, and prohibitions have not been enforced. Apart from intervention by the CPC Central Committee, there is no other way. (Even that frequently does not work. For instance, when Comrade Li Tieliu [2621 6993 3177] and other members of the standing committee of the National People's Congress were sent to Taian County to deal with the illegal arrests of three lawyers, there was opposition from the province and municipality.) I often worry for the party: This is a huge country, with complex and ever-changing conditions. The party organizations and party style are ridden with problems. How many investigation teams must the CPC Central Committee send out before the problems are solved? Economic reform releases the initiative of localities, grassroots units, and

individuals. In political life, should not more opportunities be given to public security organs and news units which are loyal to the party's line, principles, and policies, outstanding party members, and members of the public to help the CPC Central Committee, in proper ways, supervise and check illegal acts by either individuals or organizations that damage the interests of the state and party's prestige? It has occurred to me that economic reform has a long leg while politics and the legal system have a short leg, which will ultimately impede the progress of economic reform. Am I right?

4. A traditional notion in propaganda work is that to increase public confidence, all we have to do is to publicize the achievements on all fronts and the good deeds of good people. And indeed this is an important aspect of propaganda work. Still, "existence determines consciousness." The most powerful propaganda will not work if we do not eliminate all the unfavorable things that people see, hear, and experience in their day-to-day lives and bring the perpetrators of these things under control. The failure for years to solve the shortcomings in housing allotment alone has bred dissatisfaction and disappointment in countless families. In the early days after liberation, the power of the party's political work succeeded in winning over even elements hostile to us. Today just steering young people born after liberation onto the correct path is a daunting task. Besides the corruption of the body of the party, one reason is that our propaganda work has been removed from reality. There is a reluctance or a lack of courage to touch upon issues the masses are most concerned about, issues intimately related to their political and material interests. The result is that we have been unable to inculcate ideals and confidence in the minds of the people on the basis of a correct understanding of all kinds of phenomena. For years I have not written fiction, devoting myself instead to the writing of reportages for this reason: that we should castigate evil and corruption even as we reveal the gratifying changes brought about by economic and institutional reforms. An effective way to enhance public confidence in the future is to encourage people to struggle against corruption. The response of vast numbers of readers to my works testifies to this.

I do not believe readers are not concerned about politics. (Because their basic needs such as housing and employment and their children's education and employment needs have not been met, and because the nation has not yet achieved long-term stability, people are inwardly concerned about whether or not the party's policies will change, reform will succeed, and particularly whether party rectification will degenerate into superficiality and other such major issues, even though they do not talk about them.) The flood of indecent tabloids and utterly vulgar films and television shows is no proof that the masses like that kind of stuff best. Instead, it results from a form of silent promotion. This is what has happened: issues the public are most concerned about are not fully covered in party newspapers and literary and artistic works, which is itself the result of the lack of support for this kind of journalism and literature. In fact, the latter are often taken to task. In contrast, it is much safer and less demanding to write stories about gods and spirits, romances, and personal trivia. These are not my impressions alone. At several meetings of reportage writers in recent years and whenever reporters and writers gather together, similar views are expressed.



I do not think all my ideas here are right and would gladly correct them once they are proved wrong. This is the very reason why I candidly and sincerely set them forth before the party as I am being examined.

It is impossible to give a full account here of my attitude toward the party, the socialist system, the present situation, and the future. My reports, speeches (at home and abroad) and articles and their effects on the readers and audiences over the past 5 or 6 years are the best testimony.

Except for a handful of colleagues, most writers who had experiences similar to mine have redirected their focus to less political, less social themes and devoted themselves to artistic pursuits, which makes me stand out even more. I myself have wondered whether I am really the type of person they criticized me for being in 1957, the kind who makes too much of the "dark side of things." After much soul-searching, I concluded that I make too little, not too much, of it. For instance, never would I have imagined that five serious criminal cases would occur within just a dozen days in June in a relatively stable province like Jiangxi. Never would I have imagined that over 10 million people still live in poverty in the old Chinese soviet area, while the former secretary in charge of the area had reported only an impoverished population of 2 million. Never would I have imagined that Taian County, Liaoning Province, the subject of two 8-month investigations by the province and municipality 5 years ago which found that its leading cadres had rotted to the core, and still persisted in its old ways. This year it went so far as to round up three of the four lawyers in the entire county, tied them up, and paraded them through the streets, amid the sound of firecrackers set off by the head of the judicial department. When the CPC Central Committee launched an investigation, some people in the province and municipality actually argued that the arrests were justified.

But I am still optimistic about China's future despite all this and the fact that I have been informed by the editors-in-chief of the legal weeklies in 14 provinces and municipalities that the party style in their localities has not gotten better and that public disillusionment continues to spread. Otherwise, I would not take an unnecessary risk and continue to turn out works that I know full well would antagonize a handful of people but that would somewhat encourage the majority of readers. Perhaps only those young and middle-aged friends who have lost all hope in the future of the party and the nation and whom I have tried to encourage in every way possible can testify that I am not one to dwell on the "seamy side of things" and certainly not one who jeopardizes party and state through his written and spoken word.

I suggest that the investigation team examining me include the following in its inquiry:

1. How many falsehoods are there in the several major reports attacked by local party committees? (Check with Comrade Tang Dacheng and others about the ins and outs of the inquiry into "Between Man and Evil.")
2. For the social effects of my works, a random survey may be conducted among readers, focusing on these recent highly controversial works, "Thirty-Eight Years of Rights and Wrongs" and "The Second Kind of Loyalty."



It is hoped that through this examination, the party can ascertain my political outlook and decide whether or not my activities in the last few years have done more good than harm to the party and people. If it is ruled that I have gone astray, I hope comrades in charge of propaganda would kindly show me a right way and tell me what kind of theme I can and should write about, what kind I theme I cannot touch, and what mistakes I must correct.

Liu Binyan 3 September 1985

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## OWNERSHIP SYSTEM OF MEANS OF PRODUCTION EXAMINED

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[Article by Xue Muqiao (5641 2606 2890): "The Evolution of China's Ownership of the Means of Production"]

[Text] I

Our country's socialist economy is based on the system of public ownership of the means of production. The main difference between a socialist economy and a capitalist economy is that in the former, by far the greatest proportion of the means of production (this mainly refers to enterprises' fixed assets) are under public ownership, whereas in the latter they are under individual's ownership. Due to this difference, the production, distribution, circulation and consumption of the products in society are governed by some different regulations and laws. Here the word "some" is added because socialism is the successor of capitalism and in a socialist society commodity, currency and other relationships leftover by capitalist society still universally exist. Hence, in these two types of societies there are still many common regulations and laws. However, because of the differences in the ownership systems there are more or less disparities in how these common laws are manifested.

In the past, due to our oversimplified understanding of the socialist public ownership system, we frequently studied only the dissimilarities between the economic laws of the two different social system--socialism and capitalism--and were unwilling to study their similarities. Hence we were unable to proceed further to study in these similarities the disparities generated by the differences in their systems of ownership. In order to gain an overall understanding of the objective laws of the socialist economy it is necessary to further study the concrete process of the development of the socialist public ownership system with regard to the means of production and to understand the complex nature of this public ownership system. Since, up to the present, we are still far from evolving a public ownership system for society as a whole, it follows that in this principal body of the public ownership system, traces of the private ownership system still cannot be completely removed and on such a basis it is inevitable that commodity and currency relations are retained.

In his "Critique of the Gotha Program," Marx attached a high degree of abstraction to the socialist ownership system. It was abstract to the extent

that a public ownership system of whole society would exist-without a single trace of the private ownership system, and hence result in the complete nonexistence of commodity and currency relations. But he pointed out that in the initial stage of communism, that is, the stage of socialism, a person's wisdom and talents were his "natural endowments," and that labor possessing a higher caliber of wisdom and talents should receive relatively greater compensation for labor. In reality, he believed that labor should belong to the laborer himself. Hence he advocated that during the socialist period the principle of pay according to work should be maintained and that equal amounts of labor (including labor quantity and quality) should be given an equal quantity of products of society (means of consumption or consumer goods). He also said that there the principle in operation was the same principle applied to the exchange of commodities of an equal value.

The system of public ownership by the whole society espoused by Marx is a theoretical abstraction. For the present, and for a considerable time in the future, it can hardly be realized in any socialist country. When Stalin first mentioned the existence of two kinds of socialist public ownership systems in a socialist country, he referred to the system of ownership by the whole people and the system of collective ownership. Within the system of ownership by the whole people there no longer exists any trace of the system of private ownership but in the system of collective ownership the means of production are owned by the collective. Within the collective, the means of production are publicly owned by the whole body of people of the collective. Among different economic units of the collective, the means of production are separately owned by different units of the collective. Hence, the various economic units of the collective can only internally enforce the principle of distribution according to work. Among the different collectives (especially in different localities), due to great differences in production conditions (including the holding of the means of production and natural conditions) and to the same amount of labor creating many different products, the various economic units of the collective can only separately enforce distribution according to the production volume of their own products. For this reason I have said that within a collective economy the principle of distribution according to work may be enforced and an equal amount of labor may obtain an equal quantity of remuneration, while among various units of the collective we can only enforce the principle of distribution according to production (value of products). Naturally, the actual situation is far more complex than this.

Is it true that in an economy under the system of ownership by the whole people there are no longer any traces of the system of private ownership or differences in the relations between the ownership systems? No, this is also not possible. Our country is a big country with a population of over 1 billion. The so-called system of ownership by the whole people must still come under the management of the central government, the provinces, municipalities and counties at various levels. Enterprises under the management of the provinces, municipalities and counties at various levels are in reality subjected to the system of ownership by the "whole people" within the spheres of the provinces, municipalities and counties. Since the different provinces, municipalities and counties have different production conditions, there are bound to be differences in their labor compensation and particularly in their living conditions (including natural conditions and

social environments). Through financial channels the state collects more taxes from localities with better production conditions and takes a portion of the tax receipts to subsidize localities with especially poor production conditions. But the enormous differences left over by history can hardly be eliminated within a short period of time, and it is particularly difficult to erase the differences arising from natural conditions (climatic and transportation conditions, etc.) and the differences in production efficiency and standard of living derived therefrom. Following the various economic departments of the central government delegating their directly subordinate enterprises to the management of the localities, the great proportion of the enterprises under the system of ownership by the whole people in the past will come under the public ownership system of the provinces, municipalities and counties. Following the policy of opening up to the outside, the disparities between the southeastern coastal region, the central region and the western region not only cannot be gradually reduced, but may be slightly expanded. Hence, the abstract principle of equal pay for equal work under the system of ownership by the whole people cannot be completely realized on a nationwide scale.

In the various state-run enterprises of the same region, is it true that there is not a single trace of "private" ownership? In the past, the whole profits of state-run enterprises were delivered to the upper levels while the expenses (expenses for renovation, transformation and the trial production of new products) were wholly obtained from the above. Regardless of whether the profits were large or small, any deficits were duly subsidized by the above. In enforcing the system of "everybody eating from the same big pot," it was basically possible to carry out the principal of equal pay for equal work among the various enterprises. But enterprises' leadership personnel, staff members and workers were not concerned with the enterprises' profits or losses and were far less concerned with its renovation or development. The result was that the enterprises' development was slowed down while the enterprises were in a dilapidated and backward state. Since the 3d Plenary Session of the 11th CPC Central Committee a change has begun to be effected in this ossified phenomenon and enterprises' activities have been linked not only with the state's interests but also with their own interests. Enterprises have begun to be able to take out a small portion of their profits as their own self-retained funds to use for the enterprise's renovation and transformation, for the fringe benefits of their staff members and workers, and for the granting of awards to those staff members and workers who have performed well in their work. In the current reform of the system of salaries and wages, the question is being considered of how to link, to a certain degree, the salaries and wages of staff members and workers with the enterprise's profits. Thus, enterprises, after having delivered their profits to the state through the payment of taxes, can retain a small portion of their profits to increase the enterprise's and staff's own interests and certain differences can exist in the salaries, wages and bonuses of various enterprises. Consequently, a certain trace of private ownership can begin to be found in the public ownership system. Naturally, the great proportion of surplus products (profits) created by socialist state-run enterprises should be delivered to the state (including the central government, provinces, municipalities, counties, etc.) for unified distribution. These funds which the state has centralized through financial channels is not only used to meet



public expenditures on administration, national defense, education, scientific and technological research, health protection, social relief, etc., but also on the construction of those industries and trades which enterprises are unable to undertake by themselves, such as communications, municipal facilities, energy and certain other basic industries. The greater part of an enterprise's self-retained funds should be used for renovation and transformation, while a small portion should be used for fringe benefits and encouragement and awards for the staff members and workers. In the distribution of benefits a socialist country should follow the order of the state first, the enterprises second and the staff members and workers third. First of all, the total and long-term interests of the state should be looked after. Next, the total and long-term interests of enterprise should be looked after. And finally, the individual interests of staff members and workers should then be considered. Because without the state's protection and construction, the existence and development of enterprises cannot be protected, while without the enterprises' construction, there can be no protection for improving living conditions and laborers' standard of living. Protecting the interests of the state and of enterprises ipso facto protects the individual interests of the laborers.

## II

In an abstract manner we have divided the social public ownership system of the means of production into the two forms: the system of ownership by the whole people (state) and the system of collective ownership. This abstraction is entirely necessary. Not to do so would not illustrate the different nature of the two ownership systems. But the actual situation is not that simple. These two systems frequently infiltrate each other, while the collective ownership system and the individual ownership system may also infiltrate each other.

As mentioned above, in the past the so-called ownership by the whole people was actually divided into the system of public ownership by the central government, the provinces, municipalities and counties at various levels. Properties under ownership by localities had the nature of ownership by localities. Between localities disparities existed in production conditions and in natural conditions and hence there were also disparities in labor compensation and the standard of living. In reality, factors of the system of ownership by the collectives of the localities had already been infiltrated. In the past by far the greatest proportion of the state-run enterprises' investments were incorporated into the state plan and the properties of state-run enterprises basically belonged to the state. For the sake of convenience in management, certain enterprises were delegated management by localities but legally, enterprises' properties were still owned by the whole state and at any time the state could take back the enterprises delegated to localities. Regarding the enterprises delegated below by the central authorities, the localities only had management power and not ownership rights. But even in the past there were also a small number of enterprises invested in and created by localities themselves, and in such cases their right of ownership belonged to the localities. Since the implementation of the structural reform localities have enjoyed a portion of taxes that have been collected. There has been an obvious increase in the self-owned funds of localities.

Consequently, there has also been an obvious increase in the number of enterprises invested in, and created by, localities. Regarding this portion of enterprises under the system of public ownership by localities, the right of ownership should properly belong to the localities and the upper-level administrative organs have no right to take over enterprises owned by lower-level organs without compensation. Following the institution of economic combines and the creation of jointly-run enterprises between the central government and localities, between localities, between localities and enterprises, and between enterprises, the property ownership right of investing units should all the more receive legal protection since they are combinations founded upon the recognition of disparities in the ownership systems.

State-run enterprises have their own funds which they can use to carry out their own technical renovation, expansion and transformation and even the creation of new enterprises to serve them. State-run enterprises utilize their own funds to expand reproduction and thereby increase their fixed assets. Before the law these fixed assets should belong to the original owners of these enterprises; that is, they should be owned by governments at various levels since vis-a-vis their own funds enterprises only have the authority to use them and they do not have ownership rights over them. If this portion of newly added fixed assets is owned by enterprises, then those enterprises under the public ownership system will gradually be converted from the system of ownership by the state to the system of the enterprises' collective ownership. And this will shake the very foundation of the socialist public ownership system. Hence what was mentioned above about the existence of traces of "private" ownership inside enterprises, following the reform of the structure, indicated principally an evolution in the distribution system and not a thorough change in the ownership system.

We have several hundred thousand state-run enterprises. The state has difficulties managing them all. In recent years it has been planned that aside from several thousand large and medium-sized enterprises, all the rest be delegated to enterprise groups or to individuals for them to contract out or to operate on a hire and lease basis and even to have property right transferred to the groups or individuals. Those enterprises, which have been transferred property rights, have suffered a change in ownership rights, but for those enterprises which have been contracted out, leased, or rented, their ownership rights still belong to the state, and the collective or individual only has the operational rights and, according to the agreement, all or part of the profits in excess of the amount contracted for. These type of enterprises, owned by the state but run by the collective or individual are a mixed form of ownership by the state and ownership by the collective or individual. The collective or individual, after completing the job of relinquishing profits in accordance with the terms of the contract, retains the surplus portion of the profits for the collective or the individual. If the scale of operation is further extended, the newly increased assets will belong to the ownership of the collective or the individual. Hence there is the possibility of converting the direction of ownership toward the collective or individual.

In the past, many enterprises known to be under the system of collective ownership were in reality not wholly owned by the enterprises collectively. In cities and towns a large number of cooperative plants with the characteristics of "a large collective but a small unit owned by the whole people" were, in reality, not wholly owned by the enterprises collectively. Rather, they were, to a large extent, owned by the 2nd Light Industry Bureau (known at first as the Handicraft Cooperative General Society and now renamed as the Industrial Cooperative General Society). The major proportion of their after-tax profits were delivered to the 2nd Light Industry Bureau and were centralized by the bureau for planned usages such as the rebuilding or expansion of certain enterprises urgently needed by society as well as for the establishment of new enterprises. The newly increased fixed assets derived therefrom naturally belonged to the public ownership of the 2nd Light Industry Bureau. Because this portion of after-tax profits was not delivered to the state (or local) financial departments and because the 2nd Light Industry Bureau could be wholly responsible for arranging expanded reproduction, in the past 20 to 30 years the growth rate of these enterprises "under the public ownership system of the 2nd Light Industry Bureau" was faster than that of enterprises under the public ownership system of the state (including the central government and local governments). Throughout the 1950's, many broken-down and dilapidated small factories and handicraft cooperatives were merged together to form cooperative plants and the great proportion of them have now developed into modernized plants each having fixed assets worth several million or tens of millions of yuan, employing several hundred to over a thousand staff members and workers, and capable of producing different kinds of advanced products. This ownership system of the "large collective" type has frequently been subjected to adverse comments by theorists who criticized them as being in violation of the principle of the cooperative system. But actual practices and experiences have shown that compared to 2nd Light Industry Bureau which collects the accumulated funds of cooperative plants and in a planned manner carries out expanded reproduction and centralizes their uses in rebuilding, expanding or the new building of plants most needed by society and which has the most development prospects with respect to plants retaining accumulated funds separately for their own uses, the former can generally produce bigger and better benefits, and can better display the strong points of the socialist public ownership system. By far the largest proportion of the output of these plants under the public ownership system of the 2nd Light Industry Bureau are not incorporated into the state plan. Rather, they are oriented toward the market and hence the plants can act more flexibly than plants under the system of ownership by the state. This "ownership system of the 2nd Light Industry Bureau" is, in reality, a second kind of local public ownership system and has become an important constituent part of enterprises under the local public ownership system.

Naturally, this type of plants of the 2nd Light Industry Bureau have drawbacks, more or less the same as those of state-run plants, namely, an excessive cutback in the decision-making power of enterprises, the nonseparation of government from enterprise functions, the possibility of increased blind directions from above, and a similar indulgence in the ill-practice of "everybody eating from the same big pot." In the course of the reform it is necessary to gradually remove these drawbacks and to clearly separate operational authority from ownership rights. In the 1970's there



were a large number of street and alleyway plants. Originally these plants were all solely responsible for their own profits and losses. Despite their small-scale operations and backward equipment, they served consumers well, rendered sundry services and demonstrated rather great vitality.

Subsequently, an order from above transformed many of these small collectives into large cooperatives and following the mergers, many have developed to a certain extent but many have suffered from blind guidance from above. Upper levels have forcefully inserted many nonproductive personnel into their staffs and caused the plants to change from profit-making to loss-incurring plants. Hence, plants owned by the 2nd Light Industry Bureau have an even greater need than the rank-and-file state-run plants to increase their decision-making power and it is necessary to make a large number of the relatively small plants run on a contractual or lease basis, or have the ownership rights formally transferred so that gradually they become enterprises under the collective ownership system which are wholly independent and are solely responsible for their own profits and losses. The higher-level organs should quickly take the responsibility and attend to those enterprises on the verge of bankruptcy because of blind directions from above.

In the past, statistically many of the rural and village enterprises self-organized by the people's communes and production brigades were all classified in the category of units under collective ownership. In reality, by far the great proportion of these rural township and town enterprises were not organized by the commune members and they did not raise and assemble the needed funds. As a matter of fact, cooperatives formed from after-tax profits distributed to commune members were formed by the people's communes and production brigades (at present by townships and towns) raising and assembling the needed funds (a substantially large portion were financed by bank loans.) As for their after-tax profits, the great proportion were handled by the township and town governments and used for rural construction and rural educational, medical and social welfare enterprises (these were the necessary conditions for the continued development of the rural township and town enterprises), while a considerably large portion was used for rebuilding, expanding, new building and expanded reproduction of rural township and town enterprises. These rural township and town enterprises were under the system of collective ownership within the sphere of the township or town and were publicly owned by the local people of the township or town--a system of local public ownership one grade lower than the local public ownership system of the provinces, municipalities, and counties at various levels.

In the past many people erroneously thought that the system of collective ownership was identical to the system of cooperative ownership. In reality the two systems were not the same. Township and town enterprises were not organized by commune members assembling and raising the necessary funds. Rather, they were organized by the township or town governments investing (in part utilizing bank loans but guaranteed by the township and town governments) in them. Hence, their ownership rights belong to the township or town concerned and their after-tax profits are not distributed to commune members but, in a unified manner, are distributed to the township and town governments. In principle, their system of ownership is different from that of cooperatives. The collective ownership system of socialist countries does not necessarily have to follow that of the cooperative system. Under the



ownership system of the cooperatives properties are privately owned by cooperative members in the form of share rights. After-tax profits are also distributed to cooperative members. In the event reproduction expands, investments have to be made by the cooperative members, and regardless of whether the properties are original or newly added, they are privately owned by the cooperative members in the form of share rights. After-tax profits are also distributed to cooperative members. In the event reproduction expands, investments have to be made by the cooperative members, and regardless of whether the properties are original or newly added, they are privately owned by the cooperative members in the form of shares. In our country properties of township or town enterprises belong to the public ownership of the people of the township or town and the newly added properties following expanded reproduction also belong to the public ownership of the people of the township or town. Seen from this aspect, it is more or less like the local public ownership system of provinces, municipalities or counties, a lower-level of the local public ownership system. Since this type of public ownership system applies to the scope of townships and towns, in a larger sense it may be said to be the collective ownership system of townships and towns. This township and town ownership system is more beneficial to the development of the productive forces than the cooperative ownership system and is more in harmony with the principles of the socialist public ownership system. Hence, there is no need to change it into a cooperative ownership system. In the Suinan region many of the township and town factories have a relatively highly-organized structure and the degree of their socialized production is also rather high. In my opinion, it is best to maintain the original township and town public ownership system.

According to the preceding analysis, our country's system of ownership by the whole people and the system of collective ownership have already infiltrated into each other. From the relationships between regions we can see that the regional public ownership system of provinces, municipalities and counties has been infiltrated by factors of the collective ownership system. Among the various townships and towns, the township and town enterprises are subjected to the collective ownership system, while within the same township or town the factors of the regional public ownership system have infiltrated. By doing this a multi-level socialist public ownership system, extending from the central government, provinces, municipalities, and counties to townships and towns is formed. Our country has a vast territory. The forms of the township and town enterprises in different regions are extremely complex. The township and town enterprises mentioned above have frequently been ascribed as the Suinan type. As far as I know, this type is not confined to the Suinan region. In the environs of many large cities and towns, such as in the northern part of Zhejiang Province (Hangzhou, Zhaoqing and Ningbo), in Shandong's Yantai and Weifang regions, in the Zhujiang Delta area of Guangdong Province, in whatever regions where township and town enterprises are relatively developed, the great majority of the enterprises have adopted this form. In addition, there is the Wenzhou type which is based on family industry and commerce, as well as other forms which take small-scale industry or trade, or a combine of agriculture, industry and commerce as the main body, with the combines being generally subjected to the ownership system of cooperatives. I favor in the rural villages and even in the cities and towns simultaneously developing a number of enterprises under the ownership of

cooperatives, and feel that besides the above-mentioned combines in rural villages, currently in cities and towns the employed personnel should organize enterprises, led by the labor services corporation. These enterprises are comparatively more suited to adopt the ownership system of cooperatives and can be solely responsible for their own profits and losses. However, in my opinion, among the various types and forms, "the Luinan type" is a relatively advanced form. Its operational scale and technological level have both reached a relatively high stage of development. In regions which are relatively backward economically, developing the individual economy and the cooperative economy is the main road of development. But the individual economy, after developing to a certain stage, is always prone to seek further development to a higher stage (joint labor), and seen from the country as a whole, the individual economy can only become a supplement to the national economy and the collective economy. In certain regions, the individual economy has grown to a leadership position. It illustrates the initial stage of development of a commodity economy. Many of the regions in our country are still in the initial stage of development of the commodity economy. In these regions we should adopt the "Wenzhou pattern," and gradually proceed from individuals to combines.

In such regions as Suinan and others why are rural enterprises not solely responsible for their own profits and losses and why to a large extent must rural governments make unified adjustments? There are objective causes. First, the great majority of our rural villages are poor and backward. But for the sake of developing a modernized economy it is necessary to carry out many public construction projects such as communications and transportation, education, medicine and public health and social welfare. Governments above the county level use taxes to meet these expenditures. At present, rural-level finances are still lacking. Hence, construction in townships and towns must depend assembling a portion of funds from after-tax profits township and town enterprises. From now on we must set up a rural- or countryside-level finances so that township and town governments may have fixed receipts to carry out public construction. These public construction projects are to serve the township and town enterprises. Without them, development in township and town enterprises is very difficult. Many social welfare projects cannot depend on enterprises for development. (At present many relatively large state-run enterprises attend to social welfare benefits themselves; this is not a long-term measure but should be put in the hands of society at large.) Best of all, enterprises should assemble funds and let township and town governments take unified charge. At the moment, all township and town enterprises are in a thriving state. In those regions where the "Suinan pattern" is adopted, public construction and social welfare enterprises are all in relatively good shape. This conforms with the common interests of the rural populace.

Second, at present economic relations have not yet been smoothed out. In particular, prices are not yet in a good order--there are great disparities--and there is a high degree of instability in different categories of enterprises' incomes. If township and town enterprises must all be solely responsible for their own profits and losses, then the disparity in the staff members' and workers' incomes in different enterprises may be even larger and enterprises which have made large profits may possibly, because of objective

causes (such as an electrical power stoppage, or a lack or shortage of raw materials) suffer losses. If, within the same village, there is great disparity and instability in people's incomes, it is very harmful to social stability and unity. In particular, agricultural incomes are lower than those of industry. Under the present conditions, if a measure is not employed for industry to support agriculture, agriculture may wither. It is true that drawing from the fat to replenish the lean may engender egalitarianism and that we should not advocate checking the advanced to support the backward. But because of too great disparities in incomes arising from differences in objective conditions, for the present we have to depend in part on the upper levels to make the necessary adjustments. Even though the state has begun collecting income tax at different tax rates from state-run enterprises, it is still not easy to immediately abolish adjustment taxes, while township and town enterprises must still and, all the more, adopt certain regulatory measures. In regions where the individual economy has already surpassed the collective economy, an increase in the disparity between the rich and poor among the rural populace is relatively clear. But in regions where the rural public ownership economy is in command, the disparity between the rich and poor is relatively small and it is easy to move along the road to common affluence. In the latter regions, the relative social order and social atmosphere are better and it is relatively more possible to reap the dual harvests of a material civilization and a spiritual civilization.

Nevertheless, after the reform, enterprises under the rural public ownership system and enterprises under the public ownership system of the regions at various levels alike should all move along the road toward autonomous operations and be solely responsible for their own profits and losses. It is necessary to look for a suitable measure to separate ownership rights from operational rights. Even in the rural areas enterprises should be allowed to enforce the contract operational responsibility system.

### III

Since the 3d Plenary Session of the 11th CPC Central Committee our country has carried out the reform of the economic management structure, endeavoring to make state-run enterprises gradually become economic entities which are relatively independent, possess decision-making powers in their operations and are solely responsible for their own profits and losses. Prior to this, our country's state-run enterprises basically did not have any funds of their own, all their profits had to be delivered upward, and all their expenses had to be sought from above. The state was responsible for profits and losses in a unified manner, while in reality, enterprises were the state's appendices, devoid of the capability to act and thus hardly able to be a legal person. In the past eight years state-run enterprises have been given a portion of their after-tax profits, making it possible for them to utilize their own funds to carry out renovation and transformation, increase collective welfare benefits and grant slightly more bonuses and awards to staff members and workers who have made special contributions. The 3d Plenary Session of the 12th CPC Central Committee decided that the state should give enterprises larger decision-making powers and make them able, within the state's prescribed scope, to manage, by themselves, their personnel and properties, to handle their own production, supply and marketing, and to truly become legal



persons with the capability to act alone. From now on, in state-run enterprises ownership rights are still retained by the state and the operational authority and ownership rights will be suitably separated. The leadership personnel of enterprises will hold a substantially larger operational authority and regarding operations and management, certain past principles from enterprises under the system of collective ownership will be drawn from and absorbed.

In the past, state-run enterprises adopted the plant head responsibility system under the party committee's leadership. In reality, the party secretary was the highest decision-making person within the plant. The plant head (manager) had extremely little power. Many of an enterprise's business affairs had to be decided upon by the party secretary. The 3d Plenary Session of the 11th CPC Central Committee advocated the separation of the party and government, while the 3d Plenary Session of 12th CPC Central Committee further advocated the division of work between the government and enterprises. From now on, the party committee will be responsible for supervising the execution of the party's guidelines and policies and the statutes of the state. It will conduct the political and ideological education of party members, it will not take charge of an enterprise's actual affairs, and the plant head (manager) will become the highest decision-making person inside the enterprise. The government owns state-run enterprises. It has the power to appoint or dismiss the principal leadership person (plant head or manager) of an enterprise. Inside the enterprise, the plant head or manager is responsible for the business management of the enterprise. He has the power, either by himself or after consultation with the enterprise management committee, to nominate an assistant plant head or vice manager and other high-level leadership personnel, and recommend him to relevant departments for approval and appointment. He has also the power to select or dismiss the enterprise's administrative personnel at various levels. In the event that the plant head or manager is found to have committed acts in violation of the party's policies and the country's statutes, the party committee of the enterprise can exercise the power of supervision and ask the plant head or manager to rectify them or report to a higher-level organ to order the rectification. The labor union of the enterprise represents the whole body of staff members and workers and should have certain authority regarding such matters as the appointment, dismissal, award and punishment of staff members and workers. Staff members and workers of relatively small enterprises may even elect the plant head or manager and nominate him to the upper-level administrative organ for formal appointment, while, in certain other enterprises the upper-level administrative and leadership organ may nominate the plant head or manager and, after the staff's representatives congress has voted its approval, the nominee will be formally appointed by the upper-level organ. Regarding the appointment, dismissal, award and punishment of the rank-and-file employees and workers, the labor union has the right to express its views and if such views are in serious conflict with those of the enterprise leadership, the disputes may be reported to the upper-level administrative and leadership organ to be handled responsibly.

Following the separation of government functions from enterprise functions in state-run enterprises of socialist countries, the highest decision-making power still lies with the state (including the central government, provinces,



municipalities and counties at various levels). The plant leadership holds the management power of the enterprise, but he must obey the policies and statutes specified by the state; that is, he holds the management power of the enterprise subject to the conditions of obeying the state's policies and statutes. If he violates the policies and statutes he may be dismissed by the upper-level administrative and leadership organ and, if the offence is exceptionally serious, he may even be prosecuted by law. Within the scope of obeying the policies and statutes, the state may give the enterprise's leadership personnel large decision-making powers. After obtaining decision-making powers, state-run enterprises will become legal persons with the capability to act by themselves. While enterprise will become independent, they will cooperate with each other, and compete also with each other. In the past our state-run enterprises were subject only to vertical leadership and had no lateral cooperation and it was never recognized that state-run enterprises could compete with each other, contending that free competition could exist only in a capitalist society. Actual practices have shown that without competition there would be no survival of the fittest and all the enterprises would wholly depend on the state and everybody would eat from the same big pot. Enterprises would lose their reason to live and their vitality, become daily more ossified, and the production benefits would diminish daily. Socialist enterprises of this kind can in no way compete with capitalist enterprises.

If we want to display the strong points of socialism, we must, on the basis of the public ownership system of the means of production, make each and every enterprise capable of operating autonomously, engage in free competition under the state plan's guidance, and advocate the principle of the survival of the fittest. Enterprises must be enabled to continuously renovate their technology, renew their products, improve their operations and management and seek survival and development in competition. Only this type of socialism is superior to capitalism. At present our country still has many economic relations, particularly price relations, which have not yet been put in order, economic benefits (profits) of enterprises have been twisted, and as a result free competition continues to suffer from rather serious restrictions. Since the many losses of a policy nature which result from the twisting of prices can hardly be distinguished from the enterprise's own losses of an operational nature, this has created rather great difficulties for the enterprises in their efforts to operate autonomously and to be solely responsible for their own profits and losses. If we want to earnestly accomplish the feat of enterprises running autonomously, being solely responsible for their own profits and losses and carrying out the separation of government functions from enterprise functions, it is necessary to smooth out economic relations, particularly those in the price structure. But we cannot wait until after economic relations have been smoothed out before implementing the separation of government functions from enterprise functions. Otherwise there will be no way to avoid the losses caused by the upper level giving blind directions which literally bind the hands and feet of enterprises and make the latter unable to improve their operations and management. Therefore, for the present we should, on the one hand, strive to smooth out economic relations and thus create better conditions in which enterprises can operate autonomously and be solely responsible for their own profits and losses, while on the other hand, we should gradually extend the enterprise's decision-making power and look for

the best program to separate government functions from enterprise functions. Moreover, it is necessary to carefully differentiate between losses of a policy nature and losses of an operational nature, analyze the causes for the latter (whether due to poor management on the part of the enterprise, or to blind directions from above, or to a combination of the two), find out where the responsibility lies, seriously and earnestly attend to the matter and never allow them to drag along. Enforcing the plant head responsibility system can reduce blind directions from above and impel enterprises to improve their operations and management. It constitutes an important measure in the current reform of the economic structure.

As for how to enforce the plant head (manager) responsibility system, inside an enterprise at present we do not have matured experiences to fall upon. In the case of small enterprises with a staff each of several dozen or 200-300 employees, the plant head alone should bear the whole responsibility or be assisted by consultations with one or two assistant plant heads. In the case of large and medium-sized enterprises with a staff each of several hundred or several thousand people, for the sake of reaping the benefits of a plurality of views and thoughts, it may be advisable, under the leadership of the plant head (manager), to organize an enterprise management committee comprising as its constituent members the assistant plant head (assistant manager), chief engineer, chief accountant and other leadership personnel of the enterprise and possibly including the secretary of the party committee and the chairman of the labor union. The enterprise management committee only discusses the important decisions an enterprise's makes while day-to-day affairs are still administered and decided on by the plant head or the assistant plant head in charge. Indeed, it is necessary to avoid a multi-person leadership which inevitably leads to a specter of bureaucratism in which nobody seems to actually be responsible. In the case of extra-large enterprises with a large employee population each of 5,000 to 6,000 or even tens of thousands of people, a system of level-by-level management should be installed and a system of level-by-level contracted responsibilities should be enforced, with the lower-grade contracting units likewise enforcing the system calling for the person in charge to bear the responsibility. At present many enterprises are trying out various forms of enterprise management committee systems under the leadership of the plant head (manager). It requires collective discussions but refrains from weakening the decision-making power of the plant head and the assistant plant head within the scope of affairs they administer. A multi-person leadership can never improve the economic benefits of an enterprise.

The enterprise management system of socialist countries must take care of interests at three levels, namely, those of the state, the enterprise and the staff members and workers. First of all, the long-term interests of the state as a whole must be taken care of hence, the principal leadership personnel of enterprises must be recommended for appointment or approved for appointment by the state's relevant departments in charge and must earnestly carry out the policies and statutes of the state and the state will not interfere with their actual business dealings. The leadership personnel of enterprises must, on the one hand, follow the state's leadership and on the other hand accept the labor union's supervision. Regarding the appointment or dismissal of certain important cadres, it is best that the views of the labor union should be

sought beforehand, or the workers be allowed to make nominations by voting, with the appointment to be finally decided on by the upper-level leadership. Socialist enterprises should enforce a workers' limited autonomy but the labor union should by no means become the higher decision-making organ, otherwise there is the possibility of paying more attention to the workers' short-term interests rather than the long-term interests of the state and the enterprise. In the long run, this would be detrimental to the workers. An enterprise's leadership should have in mind the long-term interests of the state and of the enterprise and at the same time should not disregard the workers' short-term interests. The party committee and the labor union have an obligation to educate the whole body of workers to protect their own interests on the precondition that they take care of the long-term interests of the state and the enterprise, and never care only for their current interests and neglect the long-term interests of the state and the enterprise. These are principles which we must follow in carrying out the separation of government from enterprise functions and in studying the concrete program of an enterprise's leadership responsibility system.

#### IV

In the course of our country's economy structural reform, the type of ownership system has daily become more complex. First there is the generation of joint-capital operations or cooperative operations between state-run enterprises, between state-run enterprises and collectives, between collectives, and between collectives and individual enterprises of different industries and trades and in different localities. Thus there are various types of mixed ownership systems. Some combines have grown from two-sided combines to many-sided combines, generating enterprise groups which have the enterprise as the center and enforcing cooperation through the division of work. In some localities, such combines are given the figurative name of "dragons." In the past many industries and trades set up an excessive number of small plants, each of which endeavored to become "small but comprehensive." This resulted in all of them lacking a competitive capability and even the ability to survive. Local or business leadership departments selected plants producing well-known brands of goods as the dragon head, organized together other small plants, and among them divided the work of producing the various parts of the whole product strictly in conformity with the specifications of the well-known brand. This not only improved the quality of products and enabled them to be produced in large quantities, but also reduced the cost of production and enhanced their competitive power with other well-known brands. The enterprises participating in the combine could separately maintain their own capital funds, carry out independent accounting, be solely responsible for their own profits and losses, and retain, without any changes, the original character of their ownership system. At the same time, they could invest in each other, divide the profits according to their shares, and change from being cooperative enterprises to jointly-run enterprises. If the components of these jointly-run enterprises separately belong to different ownership systems then these jointly-invested and jointly-operated enterprises have come under the mixed ownership system. Some jointly-invested enterprises take the form of stock companies to clearly demarcate the share amounts of the investing enterprises, though in reality the units jointly financed and operated by the enterprises are still in the nature of partnership enterprises



and are different in nature from the stock companies which sell shares and stocks to individuals to assemble funds for operations. They are still under the socialist public ownership system at different levels. Some cooperative enterprises of collectives and individuals frequently take the collective enterprise as the center and give the initial processing and production work of the products to the household workers to attend to in the households, with the collective enterprise subsequently doing the work of examining, remaking, assembling and marketing in a unified manner. Alternately, the collective enterprise may supply the household workers with the raw materials, purchases and a unified market for their products. This is somewhat like the past household handicraft trade under the leadership of commercial capital (not the commercial capitalists of the past but the collective enterprises). These household handicraft workers in reality become the "external workers" of the collective enterprises and hence are still of a socialist nature.

Beginning in 1985, due to the shortage in the supply of circulating funds, many state-run enterprises and collective enterprises resorted to the practice of issuing share certificates to raise and assemble funds from staff members and workers within an enterprises. This represented the budding of the share and stock system, a new phenomenon worthy of study. In the past many township and town enterprises had likewise adopted the method of assembling and raising funds from the workers. In these cases, each worker paid out several hundred to 1,000 yuan, and following payment became the enterprises' staff members and workers (though, of course, after some tests and checking). Enterprises of this kind fell partly under the ownership system of cooperatives. In the Suinan area (possibly in other regions as well), the staff members and workers of certain enterprises earned the right to work after making payment but were given no capital dividends. These localities, due to a labor shortage, frequently had to solicit workers from the outside. Workers from the outside were financially unable to subscribe to any funds and when time came for the enterprises to distribute the profits, local workers who had subscribed were given bonuses according to the amount of profits while the workers from outside were not given any bonuses. This type of bonuses were, in nature, like dividends. The workers each paid an equal amount of funds and this dividend system which carried no interest or dividends in name basically did not change the nature of the collective ownership system. If simultaneously with dividend payments on shares, distribution is also made according to work, then this is a mixture of the rural public ownership system and the cooperative system.

In recent years certain state-run enterprises have needed a large amount of funds in order to carry out technological reform. Accordingly, they issued and sold share certificates to internal staff members and workers. The latter, after buying the shares, in addition to receiving their salaries, wages and bonuses, in accordance with their work, also receive interest or dividends proportionate to the amount of shares they own. Since the shareholders must be the enterprise's own staff members or workers, and the amount of shares held by the individual staff member or worker cannot be too large, and the enterprise still stresses principally distribution according to work. The payment of share dividends does not occupy an important position and the enterprise does not suffer any change in quality. Certain countries in eastern Europe have stipulated that the total amount of shares from such a



source cannot exceed 30 percent of the enterprise's gross capital. At present in our country the fixed assets of large and medium-sized enterprises each amount to several ten million or hundred million yuan and the amount of shares the staff members and workers can purchase is far below 30 percent of the gross capital. Hence it is not possible for there to be any change in the quality of the ownership system of the enterprise. Upon the volume of shares owned by the staff members and workers having reached a certain volume, we may, according to the conditions, absorb some representatives of the stockholders to be members of the board of directors or of the enterprise management committee. They can offer views on the enterprise's operational guidelines or on important decisions but cannot play a pivotal role on the enterprise's board of directors or management committee. If indeed the number of share-holding staff members and workers is numerous and if they are all concerned with the decisions of the enterprise, this may have more advantages than disadvantages in promoting the enterprise's operations and management. Enterprises in this category can possibly develop into, or become, a mixture of the state's public ownership system and the cooperative system.

Last year a new situation emerged on the scene. A small number of enterprises, following sanctions from higher-level leadership organs, through the banks issued bonds or share certificates for sale to society. No limit was placed on the individual amount of subscription and an individual was allowed to subscribe to or buy, several thousand yuan or several ten thousand yuan of bonds. The bonds bore an interest rate slightly higher than that on bank deposits and interest payment would be made at fixed periods. Since no dividends were paid, they were more or less like bank deposits, except that in the case of bank deposits no risks were involved, whereas in the case of bonds if the issuing enterprise suffered losses and become unable to pay all the interest payments, the bonds could depreciate in value. In comparison, the interest rate on stocks and shares is slightly lower but when an enterprise makes large profits, dividends may also be declared. Both bonds and stocks are for sale on the market, and the selling price may be higher or lower than the face or nominal value. Changes in the prices of stocks are more obvious than those of bond prices. The market price of enterprises' stocks yielding especially large profits are usually higher than their face value whereas in the case of enterprises which, because of their low profits, are unable to declare any dividends or even have difficulty in paying interest on their stocks, the market prices of their stocks are usually lower than their face value. Because the shareholders are not the enterprise's workers or employees, and there is no limit on the amount of shares they may hold, and the shareholders receive dividends wholly on their capital outlay, on the surface, this kind of stock company more or less resembles a stock company of a capitalist society and carries a definite degree of capitalist nature. But under the conditions in our country, the organizers of this kind of stock companies are usually state organs, state run enterprises, or even state banks, and no large capitalists or financial syndicates formed by a small number of powerful capitalists. Hence, after the stock companies are formed, the organizers still hold in their hands the operational and management rights of the enterprises and the socialist quality still occupies the leading status.

At present this kind of stock company is still in the experimental stage. Whether or not it deserves to be universally promoted still awaits further discussion. If there are no special stipulations, the after-tax profits of this kind of stock company will wholly belong to the shareholders, and it is possible that the state's income tax may thus be affected. We must recall that in 1951 when the state promulgated the "regulations on private enterprises," the state and the capitalists had a dispute on the question of whether interest payments on stocks should be made before taxes or after taxes. At that time, the average profit yield on private enterprises' capital was about 16 percent and the interest rate was generally 8 percent. If the interest on stocks were paid first, then income taxes would be reduced by 50 percent. Hence Comrade Chen Yun strongly insisted that a provision be incorporated into the "regulations on private enterprises" that would make the payment of income taxes precede the payment of interest on stocks. The interest on stocks is computed not on the basis of profits but on the amount of investment. Hence the payment of income taxes cannot at first affect the interest rate on stocks. But after income taxes at that time the highest income tax rate was 35 percent, and interest on stocks have been paid, the remaining portion available for the payment of dividends is relatively small. In order to ensure that an enterprise in lean profit years would still be able to pay, after the payment of income taxes, and the 8 percent interest on stocks, the "regulations on private enterprises" further provided that after income taxes and interest on stocks had been paid, of the remaining portion of profits, 10 to 20 percent should be applied to the public accumulation fund and 5 to 10 percent to the welfare fund. The accumulation fund should be used for an enterprise's renovation and expansion and in the event an enterprise is unable to pay the 8 percent interest on stocks, the accumulation funds over the years should be drawn upon as a subsidy to ensure, as far as possible, the payment of the interest on stocks at 8 percent. The welfare fund should be used for collective welfare enterprise's staff members and workers. Only after this series of deductions and retentions should the remaining portion be used to declare dividends, in which case the amount of dividends available would not be very large. This was an important measure we took at that time on "capital restrictions." In the past some far-sighted entrepreneurs (such as the Yung Li Chemical Corporation in Nanjin) only paid the interest on stocks and did not declare any dividends. They retained all profits for use on expanded reproduction and thereby enabled the enterprises to grow faster. As a matter of fact, following an enterprise's development, its stocks will increase in value. Hence, this measure is generally accepted by the shareholders. Now our newly organized stock companies make interest payments on stocks first and pay income taxes afterwards. Currently the average profit earning rate of enterprises' capital funds has decreased to around 12 percent and by paying the interest on stocks first, income taxes will be reduced by two-thirds. If stock companies are universally developed, then the state's financial revenues will be greatly affected. This point deserves careful consideration.

On the questions of the ownership system, aside from the stock companies, there is also another question worthy of consideration, that is, the ownership system of cooperatives. In the past we frequently took the cooperative system and the collective ownership system as equivalent to each other. In reality, there is a difference between the two. In my opinion, the ownership system of

cooperatives is only one form of the collective ownership system and, at that, a relatively low-trade form. As mentioned above, of the enterprises subordinate to the 2nd Light Industry Bureau and enterprises under the system of public ownership of the rural villages listed in the statistics, the great proportion did not adopt the ownership system of cooperatives, but the public ownership system of the 2nd Light Industry Bureau, the townships or the towns. This socialist public ownership system is greatly different from the ownership system of cooperatives. The former is a whole people public ownership system within the scope of the local 2nd Light Industry Bureau (subordinate to the local governments), or of the township or town whereas the latter is under the collective ownership of the members of the cooperative and this type of collective ownership is built on the basis of the cooperative's members' individual private ownership system manifested in the form of shares. Cooperatives are organized by the cooperative's members. The cooperative's members maintain their ownership rights of this portion of properties through the possession of shares and are entitled to varying amounts of dividends in accordance with the amount of shares they hold. According to the general principle of several northern European countries in which the cooperative system is relatively developed, the after-tax profits of cooperatives must be distributed to the cooperative's members and the members are drawn upon for funds when expanded reproduction is contemplated. Thus, the cooperative's funds wholly belong to the members individually and basically cooperatives do not have their own common assets. But we need not necessarily follow this principle and our cooperatives should be allowed to retain and keep a portion of accumulation funds and public welfare funds for use on expanded reproduction and on the public welfare enterprises of the cooperative's members. Some proponents of cooperative system are opposed to the local public ownership system and advocate that all enterprises under the collective ownership system adopt the principle of the ownership system of cooperatives and that the ownership right of properties should clearly belong to individual ownership of the cooperative's members through the form of shares. This is not necessarily beneficial to the development of the productive forces.

In Lenin's article "On the Cooperative System," he, on the one hand, criticized "the plans of all the former proponents of cooperatives since the time of Robert Owen" as being earthly fantasies, and said that they all attempted to make use of the "cooperative system" to build socialism without first overthrowing the class rule of the exploiters. On the other hand, pointing out its importance and significance, at a time when the new economic policy was being established following the proletariat's assumption of political power, of enabling the Russian people to become fully, extensively and penetratingly collectivized, he said: "This is not exactly yet the formation of a socialist society but possesses all the necessary and sufficient ingredients for the formation of a socialist society." (Footnote 1) (Lenin: "On the Cooperative System," pp 428, 423) We should depreciate the significance of cooperatives but should not mix up the cooperative system with the socialist local public ownership system,, or even consider it superior to the socialist public ownership system of the 2nd Light Industry Bureau and of the townships or towns. I am not opposed to these enterprises under the local public ownership system absorbing certain component parts of the ownership system of cooperatives, such as absorbing the members to purchase shares, granting share dividends (or giving out dividends in the form



of bonuses). And I believe that the principal body should still be the socialist public ownership system of the localities. In regions where the rural economy is undeveloped we can also allow the cooperative system and the individual economy to develop extensively but out of the after-tax profits of the cooperatives a portion should be retained to serve as accumulation funds and public welfare funds. By doing this, after they have developed to a certain stage they can still be gradually converted to the socialist public ownership system of the townships and towns.

Following our opening up to the world, the forms of our ownership system will be even more complex. At present, there are already a substantial number of Sino-foreign jointly invested or jointly-run enterprises and a small number of enterprises solely-run by foreign capital. Naturally, all these enterprises embody an even greater capitalist character. In our country, the socialist state-run economy still occupies the predominant position and in the future there is no possibility of its losing the leadership position in the national economy. All these Sino-foreign jointly-run enterprises and enterprises owned by foreign capital must be sanctioned by the government and they must abide by the laws and statutes of our government. Hence, they still belong to what Lenin mentioned as the nature of national capitalism whose scope of activities can be restricted and specified by the state.

## V

The ownership system in agricultural production is more complex than that in industrial production. This is due not only to the fact that in our country's agricultural production natural economy still holds a predominant position, the degree of mechanization is still low and agricultural production is of a strongly seasonal nature, and the labor tasks of the farm workers have to follow the production seasons and change constantly but also to the fact that farming in the fields calls for the dispersion of jobs while arranging and changing labor tasks are fraught with difficulties. In the United States agricultural production is already highly mechanized and commercialized but farming confined to a family or household still occupies a predominant position and there are very few large plantations employing hundreds to a thousand workers. Workers in family farms can direct themselves and the labor efficiency rate can be higher than that of large plantations. Agricultural production is not suited to fixed work times or hours and even in the cause of collective farming, work involving several scores or even a score of workers, the labor efficiency rate is frequently lower than that of family-dispersed labor. In the past, in our country's rural areas the production team was seen as a unit and it carried out collective labor. Several scores of workers went to work at the same time and came back from work also at about the same time. Many people were nominally at work but in actuality did not exert themselves and, as a result, the benefits of the work were far less than those derived from farmers working on their self-retained plots of land during the surplus hours in the mornings and evening. This illustrates that in agriculture dispersed family labor has relatively stronger points than collective labor. Naturally different kinds of labor fare differently. For example, work in farmland water conservancy and construction requires large-scale collective labor. Before the liberation, capitalists in Shanghai organized a large land development company along the coast in northern Jiangsu Province. The capital



construction work such as opening up barren land and building dikes and canals all used machines and a large number of workers were employed in large-scale collective labor. After one to two years of farming and planting, the farmland was leased to farmers for scattered farming operations. This illustrates the two superior points of employing collective labor and scattered labor respectively in agricultural production.

Before the 3d Plenary Session of the 11th CPC Central Committee agricultural production in our country enforced the system of the so-called "3-level ownership with the production team as the basis." Production teams comprising 20 to 30 or 30 to 40 households each were used as production and distribution units. At that time not only were the effects of the collective labor of several scores of people relatively poor but also the production team did not truly possess the decision-making power. After the 3d Plenary Session of the 11th CPC Central Committee the household contract responsibility system was universally promoted. It greatly increased the peasants' enthusiasm for production. Not only has there been a large-scale production increase in agriculture for several years in succession but it also has been possible to save much labor power to develop diversified operations, to organize township and town enterprises and also to noticeably improve the peasants' standard of living. At the present stage of production development, whether under capitalism or socialism, farm labor with the household as the unit is beneficial to the development of the productive forces and hence conforms with Marxist historical materialism.

Agricultural production in countries with a high degree of development under capitalism is nearly wholly commercialized. Household farming workers appended to commercial capital and financial capital are still their "ulterior workers." The household-contracted farms in our country are also different from the past individual peasants. They need to develop the commodity economy and still cannot depart from the leadership of the townships and towns. Although the unified purchases of the main agricultural products such as grain and cotton have been changed into contractual fixed purchases, the two levels of townships and towns are still the bridge between the state and the peasants. It is very difficult for peasants to market their products outside the realm of contractual fixed purchases. It is necessary for township and town enterprises and supply and marketing cooperatives to lend a hand in helping the sales of agricultural products and in supplying the various means of production required by agriculture. At present, land is still publicly owned by the townships and towns which, in a planned manner, contract the land to the peasants for planting and operations. After peasants have attained an autonomous operation, in reality there is still a need for unified planning by the townships and towns. If on the same piece of land different crops are planted, then because of the differences in the plant-growing seasons this will be harmful to mechanized farming and to water conservancy and irrigation. Township and town enterprises and supply and marketing cooperatives render services to agricultural production before, during, and after, production. In actual fact, this illustrates a mixed ownership system of the collective and the individual, and collective economy still occupies the leading position.

Following the development of the commodity economy, agricultural production can also develop divisions of work and specialization. First comes the

division of work between regions producing different farm crops. Certain regions will principally plant grain whereas certain other regions will plant such economic crops as cotton, edible oils, sugar cane or beetroots. In regions where economic crops were planted the past practice was for the state to supply the grain. From now on the grain supply may be secured through various commercial channels. Formerly, each peasant household raised only several pigs and several chickens. Now, in addition to raising domestic fowl by households, specialized households have come onto the scene which raise and keep scores or hundreds of pigs and several hundred or several thousand chickens. These specialized households have to go through the market to obtain feeding materials for their stock. In the southeastern coastal region and the central regions where the commodity economy has been relatively developed, rural industries and other enterprises are undergoing thriving development and it is estimated that 50 percent or over of the labor power is currently engaged in nonagricultural pursuits.

But many of them are still staying and working on a plot of grain rationed field, become self-sufficient in grain and there are many households which have left agricultural production altogether and depend on the market for their supply of grain. However, at the present stage the majority of households farm their grain ration fields and engage in both industry and agriculture. Along with the development of scientific farming, grain production is tending to become gradually specialized. Quite possibly these grain-producing specialized households may sell paddy and wheat and buy rice and flour from the market, thus raising the commercialization of agricultural production to a rather high level.

The development of agricultural commodity production demands that rural commerce have an even greater development rate, that state-run, collective and individual enterprises rise in unison, that the cities and the countryside become integrated and that a perfect agricultural commodity market be formed. The development of the agricultural commodity economy demands not only the integration of urban and rural areas but also the flow of commodities between regions and the formation of products-flow centers which stretch across provinces and municipalities. In recent years, cities such as Wuxi and Wuhu have already reinstated their former grain markets, engaging in the reciprocal readjustment of have's and have-not's as well as the interchange of product varieties with many provinces and cities. In these grain markets, while state-run, collective and individual enterprises all rise in unison, those that occupy the leading position are still the city and county grain bureaus (preferably to be converted into grain companies in the future). In the case of cotton, after the abolition of the ration system and the conversion to plants making their own purchases, in the cotton-producing areas we set up cotton markets and cotton corporations. As for the other economic crops, likewise various forms of specialized companies and specialized markets may also be set up for them. Specialized companies may also be linked together with plants and factories using the same kind of raw materials such as in the tobacco planting areas the cigarette companies may organize jointly-run establishments with the large cigarette manufacturing plants (before the liberation the British-American Tobacco Co. directly set up tobacco-leaf purchasing and baking units in such places as Xu Chang in Henan Province, Huai Fang in Shandong Province and Fengyang in Anhui Province), thus gradually

developing in the direction of integrating agriculture, industry and commerce. Since this is a combination of enterprises under different kinds of ownership systems, the ownership system of the agricultural, industrial and commercial combination body will become even more complex, but socialist public ownership system in various forms will still occupy the dominant position. Hence, the development of specialized households in agricultural production will not change the socialist character of the whole economy.

The promotion of the household contract responsibility system in agricultural production has made full use of the strong points of individual (household) labor in agricultural production. But the presence of the strong points of individual labor without the strong points of collective operations will be merely like the individual economy of the past and will be even more disadvantageous to the development of the agricultural productive forces. It should be admitted that after agriculture was collectivized, the construction work done by the people's communes and production brigades in farmland water conservancy and in agricultural mechanization played an important road in promoting scientific farming. After enforcing the household contract responsibility system, the strong points of the original collective operations have been basically maintained but not further developed. In regions where rural industries are relatively developed, the practice of industry supporting agriculture has still played an important role in promoting agricultural mechanization. But in certain regions the role of the two levels of townships and towns in agricultural production has been weakened in certain respects. Certain plains regions have allowed their large and medium-sized farm machines to remain idle and encouraged the peasant households to buy and use hand-operated tractors, thus reducing the efficiency rate of mechanized farming. (Hilly regions are still suited to the use of small farm machines.) An extreme minority of regions has paid no attention to farmland water conservancy construction, and not only has no further development been made there but also maintenance and repairs of the original facilities have been neglected. This obviously will make the further development of agricultural production lack the necessary stamina. From now on, in addition to continuing to display activism in individual labor, we should pay greater attention to the strong points of the collective economy, and further display the collective economy's important role in such areas as agricultural mechanization and farmland water conservancy construction. It should be recognized that in agricultural production certain work is suited to the individual and certain other work, to the collective. We should not only stress the strong points of individual labor and but also not overlook the strong points of collective labor in certain other kinds of work.

At present, grain production in our country has not yet been specialized. The major proportion of the regions still adhere to the practice of distribution of land according to labor power, or, the distribution to each household a little grain ration land or a little fodder land. As a result, the operations are too scattered and are not suited to scientific farming. Scientific farming demands that grain production be specialized, suitable for expanding the plantation scale, responsibly managed by farming experts and not dependent on operations by semi-labor power and the spare time of workers. In Yuanhe village in Taicang County, Jiangsu Province, formerly 500 mu of grain field were distributed to 100 households for farming. On the average, each



household attended to 5 mu and produced 2,500 kgs of grain. Now they are contracted to 20 females, divided into four groups for cooperative operations (mechanized tilling and mechanized harvesting contracted to the agricultural mechanized units), each female attends to 25 mu of farmland, and the average grain production per person is 12,500 kgs. As a result of the sharp increase in the labor productivity rate, incomes of farm workers is not lower than that of industrial workers and no longer requires any subsidies. It has been learned that in some regions barren land along the coast has been contracted to individuals who have hired workers to operate the land and separate groups have been organized to collectively operate the fields and the production efficiency rate is even higher. Naturally, the transition from contracting by separate households to specialized contracting requires an exceptionally careful attitude, and the original contracting period, except when the laborer asks for its abandonment, cannot be changed. In the Suinan region, it is known that some contracting households, in order to devote their full attention to industry, have transferred contracted land to other peasant households to farm, not only without collecting any land rent but also without giving each mu a subsidy of several tens to 100 yuan. Seen in the long run, in grain production the gradual transition from average distribution to specialized production is also a demand of the development of the productive forces. Right now we must make the necessary ideological preparations.

In regions where the commodity economy has developed, rural villages no longer principally depend on agricultural production. With the joint development of agriculture, industry, commerce, transportation, construction, trade, currency and finance, under the unified planning of rural villages and the cities and counties, the various forms of the ownership system have been knitted together. This is the road which the development of our country's rural economy should take. Naturally, by no means can agricultural production be overlooked. "Without agriculture, there is no stability, without industry, no affluence, and without commerce, no invigoration." The various regions should all take note of their own special conditions. For example, hilly regions should pay special attention to forestry, grasslands should specially note animal husbandry, while around the lakes and ponds and along the coastal areas, special regard should be given to fisheries. Each should separately formulate its own plan of development and suit measures to local conditions to more rapidly realize the modernization of the rural economy.

## VI

Since the beginning of history the socioeconomic stature of the various periods has been complex and not singular. In the transition from a primitive communist society to a society of the slave system, passing through several thousand years and up to the time when the slave system occupied the ruling status, there were still a large number of free people. When free people gradually disappeared, the slave system also gradually collapsed and was replaced by the feudal system. During the eight centuries the Zhou dynasty ruled in our country, the slave system and the feudal system coexisted for a long period. (Naturally there were still many remnant traces of the primitive communist society.) But as to exactly when the slave system was converted to the feudal system was a question of dispute. During the period of the Qin and Han dynasties, the feudal system was in a dominant position, but in the



sectors of the government-run handicraft industries, slave labor existed rather extensively, and apparently was not entirely eliminated by the time of the Tang and Sung dynasties. During the period of the Tang and Sung dynasties commerce was fairly well developed and it was during the period of the Ming and Qing dynasties that modern capitalism began budding but commercial capital was still in the dominant position. During the latter period of the Qing dynasty, due to the aggressions and encroachments of foreign imperialism, the commodity economy extensively developed and the generation of modernized capitalist industries began, government-run at the earliest stage and later developed to being run by the people. After the 1911 Revolution, particularly during the period of World War I, national bourgeoisie capital enjoyed a rather substantial development. After the war, imperialist capital surged back to the country and out-manoeuvred the people's capital. At the time of the KMT rule, bureaucratic capital appended to imperialism made its appearance. At that time, the arms of capitalism penetrated deep into the rural villages but the whole rural economy was still under the domination of feudal landlords and the commercial high-interest rate capital associated with the feudal landlords. The latter accounted for roughly 90 percent of the whole national economy. The landlords squeezed the peasants by exacting on them an extremely heavy land rent of a feudalist nature and exploited them by means of commodity currency relations associated with the combination of commercial capital and high interest yield capital. In regions which were economically relatively backward, the landlords continued to treat the peasants more or less as their subordinates while the peasant tenants were obliged to send presents and render services to the landlords. We call this landlord economy, which to a certain degree was under the control of the capitalist economy, a semi-feudal economy. These highly complicated and complex socioeconomic relations led to the disputes of the 1930's on the exact nature of the Chinese society. The Trotskyites believed that Chinese society was a capitalist society and opposed the prosecution of a democratic revolution (land revolution) in China under the leadership of the proletariat. We can thus see that socioeconomic relations have always been complex. Frequently several socioeconomic systems coexist, although a certain economic system always holds the leading position and, on that basis, we can still demarcate the different historical periods.

At the time of the establishment of new China, five economic constituents coexisted in our country. The socialist state-run economy occupied the leading position while in the southwest, in regions inhabited by minority races, the slave-peasant system and the slave system were still in existence fairly extensively. For this reason, the "common program" adopted at the First Session of the National Political Consultative Conference termed our country as one of new democratism but still made no mention of the socialist transformation tasks. The latter tasks were not brought up until 1953. In the Soviet Union, after the victory of the October Revolution, not only were landlords' lands all confiscated but all the plants and factories of the capitalists also were confiscated and the landlords and the bourgeoisie were treated as the enemy classes, and driven out of the country in large numbers. In our country, even during the period of the socialist transformation the question of the national bourgeoisie was treated as an internal contradiction within the masses. Their plants and factories were not confiscated but were led to the socialist road by processing, placing orders and public-private

joint operation. All along, since then, the original commercial and industrial capitalists have been considered objects of the united front and allowed to form their own democratic parties and cliques to join in the administration of the state. Not only in the political consultative conferences but also at the people's congresses at various levels there have been representatives from the national bourgeoisie. The adoption of such a policy has enabled the maintenance of political stability and also a rapid recovery and development of the national economy. Quite clearly this kind of policy has its advantages.

In 1953 we proposed the adoption of the socialist transformation general line, in 15 years' time preparing to complete the socialist transformation of agriculture, the handicraft trade and capitalist industry and commerce. Encouraged by the smooth progress made, sentiments of seeking quick results arose and by 1956 the socialist transformation tasks were claimed to have been basically completed. At that time Comrades Liu Zhaoji and Chen Yun both advocated that, following the completion of the socialist transformation, a portion of the privately-owned small enterprises and individual economy be allowed to serve as necessary supplements to the socialist economy. Regretfully at the time the "leftist" inclined ideologies took command and their views were not adopted and an attempt was made to set up a clear-cut socialist economy going so far in 1958 as to establish throughout the country's rural areas people's communes with the features of being "large in size and collective in nature." As a result, agricultural production dropped sharply. In 1961 the scale of the grass-roots level accounting units was reduced. The system of "3-level ownership by the commune, the production brigade and production team with the production team as the basic accounting unit" was adopted. Although this brought about a rise in agricultural production, progress was still slow. The Lushan conference in 1959 fiercely criticized the practice of having "self-retained land, a free market, being solely responsible for one's own profits and losses, and assigning production responsibilities to the household." All individual operations in the rural villages were treated as "tails of capitalism" to be cut off. This seriously curbed the development of the rural economy. Now many comrades believe that the most active years of the economy since the establishment of the PRC were the first seven years (1950-1956) and the subsequent eight years (1979-1986), and that the causes are that with regard to the problem of ownership, several economic constituents and forms of operation had been allowed to coexist under the leadership of the socialist state-run economy, competing with each other, supporting each other as principal and subordinates, and displaying the role of the collective economy as supplementary to the state-run economy and the individual economy to the collective economy. Actual practices have shown that since our country is a big country with a population of 1 billion, and the level of the development of the productive forces is still low and varies in different localities, the form of the ownership system suitable for the development of the productive forces should be slightly complex and the call for clear-cut socialism does not conform with Marx' historical materialism.

In the past, regarding the problem of the system of ownership of the means of production, we overstressed the principle of "being large in size and collective in nature, resulting in the economy becoming daily more ossified.

In the course of the reform of the economic structure it is necessary that for a definite period the ownership system be appropriately dispersed or diversified. In the past eight years, the development of the enterprises under the local (provincial, municipal and county) public ownership systems was faster than those under the system of ownership by the whole country, the development of enterprises under the public ownership system of rural villages was faster than those under the local public ownership system, while the development under the system of ownership by individuals and cooperatives was faster than the rural public ownership system (or known as the collective ownership system.) This was necessary. But this does not mean that the more dispersed the ownership system, the better. On the whole, there should still be a principal supported by subordinates. The economy under the state system of ownership should still maintain its leadership position. At present, many state-run enterprises cannot successfully compete with enterprises under collective ownership and in many regions the collective economy cannot successfully compete with individuals economy. This is because the state's control over state-run enterprises is too rigid and the enterprises do not possess the necessary decision-making authority. In general, the machines, equipment and technical strength of state-run enterprises are far superior to those of the collective enterprises. Only if they possess the necessary decision-making power will they be able to operate on more than equal terms with the collective enterprises in competition. In material strength and technological strength the individual economy is far behind. It can develop rapidly because state-run enterprises and collective enterprises have left behind many unfilled places which require the individual economy to mend and fill. In regions where state-run enterprises and collective enterprises are relatively developed, the individual economy will find it difficult to gain access to a leadership position and will only serve as a supplement to the state-run economy and the collective economy. At present, in our country's rural villages, the "Suinan model" (with the economy under the rural public ownership system taking the lead) and the "Wenzhou model" (with the individual economy and small-scale combines being the leading factors) both have the objective conditions for self-growth and development. But when the rural commodity economy, particularly rural industries, have developed to a certain stage then there is a need to guide them to develop in the direction of the collective economy (still without abandoning the individual economy.)

In socialist countries, the system of the public ownership of the means of production must maintain the leading position. At present, the permission for state-run enterprises to internally float shares among their staff members and workers may undergo tests and experiments but this cannot develop to the stage of changing the character of the system of public ownership by the state (including provinces, municipalities and counties.) In a small number of large and medium-sized cities and towns we can also try setting up stock companies which solicit shares from society. But it is still best to maintain the status of the state's business in-charge departments or state-run enterprises specially sanctioned by the state to occupy leading position in stock companies. In the distribution of the profits, the state's financial revenues should not be encroached upon. Appropriate regulations must be made to the effect that in the disposition of after-tax profits, aside from paying interest on shares, a portion be retained to serve as accumulation funds and public welfare funds. Excessive dividends must not be granted. It is



necessary to make a portion of the enterprise's accumulations become the public properties of enterprises, thus gradually strengthening the constituency of the social public ownership system. Some far-sighted economists of capitalist countries have suggested that we should not unlimitedly introduce the stock and share system and the securities markets of western countries. The buying and selling of stocks and shares can facilitate the circulation of money but markets which engage in speculative activities through utilizing the appreciation and depreciation in the value of securities serve no advantages to economic development and are not in harmony with the socialist road.

In academic discussions, certain comrades have felt that since statistically plants of the 2nd Light Industry Bureau and enterprises under the rural public ownership system are listed as collective enterprises, their assets should also be listed as owned by enterprises. They even upheld that in accordance with the principle governing the ownership system of cooperatives enterprises' properties should be converted into shares of staff members and workers, that in the subsequent disposition of after-tax profits dividends should be granted on the basis of shares and when funds are needed for expanding reproduction subscriptions to shares may be solicited from the members. This is changing the social public ownership system into the system of ownership by the enterprises and even to the private ownership of the cooperative members. It is not going forward but rather backward. In capitalist countries the system of ownership by the cooperatives can reduce exploitation by the capitalists and this is progress. In socialist countries the conversion of properties already publicly-owned into private ownership is not consolidating the socialist public ownership system but actually weakening it. Over the past few years, these enterprises under the "system of collective ownership" have never been organized by the cooperative members assembling and raising the needed funds but were organized and invested in by the 2nd light industry bureau and by the townships and towns using their own accumulations. According to law the ownership right should belong to the original investors and organizers and as for the enterprises, they have only the operational rights of the properties which they handle and do not have ownership rights. WE should far less divide enterprises' ownership into shares to be owned by staff members and workers and thus convert them to ownership by individuals. Seen from the aspects of rationally arranging production and rationally distributing benefits, the system of ownership by enterprises and cooperatives is superior to that of ownership by individuals, while the social public ownership system divided into levels is superior to the system of ownership by enterprises and cooperatives. Overstressing the shares ownership system and cooperative ownership system may rock the economic foundation of the socialist public ownership system. If, under the shares ownership system, all the shareholders are staff members and workers of the same enterprise, they may be concerned with the enterprise's production and development. But if the shareholders are ordinary social constituents and not connected with the enterprise, then they may be concerned with the enterprise's distribution of profits and cannot play an active role vis-a-vis its production activities. In my opinion, this is not worthy of being advocated.

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CSO: 4006/697



## HUNAN'S XIONG QINGQUAN DISCUSSES CURRENT TASKS

HK090243 Changsha Hunan Provincial Service in Mandarin 1000 GMT 8 May 87

[Excerpts] In his government work report delivered at the Fifth Session of the Sixth Provincial People's Congress, Governor Xiong Qingquan said that the great majority of urban and rural residents in Hunan improved their material and cultural standards in 1986. The average worker wage was 1,283 yuan, which was an increase of 9.8 percent in real terms over 1985, after allowing for price increases. Average net peasant income was 439 yuan, which was an increase in real terms of 7.5 percent after allowing for price increases. Urban and rural savings deposits stood at 4.3 billion yuan at yearend, an increase of 46.7 percent compared with the end of 1985. Employment increased. Jobs were found for some 140,000 job-awaiting urban people during the year.

There were further improvements in housing conditions in the urban and rural areas. Units owned by the whole people built 3.98 million square meters of new housing. Urban collectives and individuals built 5.27 million square meters of new housing. Some 64.75 million square meters of new housing were built in the rural areas. The work of supporting poor rural areas was further stepped up, and 250,000 poor households were extricated from poverty during the year.

Xiong Qingquan stressed that it is essential to launch an extensive drive to increase production and practice economy and increase revenue and economize expenditure, and proposed that this work should be grasped in the following 10 aspects this year:

1. Strive for a bumper harvest. The agricultural issue is mainly a grain issue. All levels in the province must attach great importance to developing grain production and ensure a steady increase. It is also necessary to attach importance to the production of cotton and oil-bearing crops. In particular, we must reverse the declining trend in cotton output.
2. Develop the township and town enterprises. We should have these run by the townships, villages, households, and combinations of households--four wheels all turning together. Different areas should have different focal points for development. We must continue to implement the favored treatment policy for these enterprises. The enterprises themselves must improve management, raise product quality, do a good job in cost accounting, and appropriately increase accumulation.

3. Increase output of products with a ready market. Readjusting the product mix to meet market demands and increasing output of goods with a ready market is the key to increasing revenue. The departments in charge of the economy and all enterprises must become more market-conscious. The economic levers of prices, credit, taxation and so on should be applied to encourage increased output of high-quality products with a ready made market.
4. We must actively earn foreign exchange from exports. Target controls should be practiced at all levels for the task of earning foreign exchange from exports. Units that increase output and export more should be rewarded.
5. Rely on the progress of science and technology.
6. Strengthen enterprise management. We must straighten out labor discipline, put rules and regulations on a sound basis and improve enterprise quality, and spur the enterprises to upgrade themselves.
7. We must ensure construction projects covered by the plan, productive construction, and key construction projects, and cut projects not covered by the plan, non-productive construction, and non-key projects.
8. We must increase revenue and economize expenditures. All levels and all sectors and trades must vigorously promote the social mood of arduous struggle, hard and diligent work to build the country, greater contributions, and strive observance of discipline. We must resolutely correct unhealthy trends such as ostentation, extravagance, and waste.
9. We must be concerned for the masses' daily life. In the urban areas, we must do everything possible to promote the production and supply of non-staple foodstuffs, and stress the stabilization of market prices. In the rural areas, we should focus on supporting old revolutionary bases, minority-nationality areas, and remote and poor areas.
10. We must control population growth. At present there is a serious incidence of rural births not covered by the plans. We must pay great attention to this question and take effective steps to strictly keep population growth within the figure stipulated by the plan.

Governor Xiong Qingquan stressed in his report that agriculture must be assigned an important strategic position and be constantly grasped well. Under the premise of not relaxing grain production in the slightest, the province should actively promote diversification, step up the comprehensive exploitation of agricultural resources, and speed up the development of industrial crops, animal husbandry, aquaculture, forestry, and fruit cultivation.

We must summon up resolve to increase investment in agriculture. Local financial investment in agriculture, forestry, and water conservancy capital construction this year is planned to be 13 percent higher than last year. This is mainly to be used for strengthening infrastructural facilities such as water conservancy and the building of commodity bases of various types.

The government at all levels must seriously implement the land management law and strengthen unified management over the use of land. We must continue to take stock of the use of land for non-agricultural purposes and resolutely put stop to indiscriminate occupation and use of farmland.

All levels and departments must step up support and service for agriculture and do a good job in producing, transporting, and supplying agricultural production materials. We must base our efforts on fighting natural disasters and make full ideological, capital, and material preparations for ensuring a bumper harvest.

Xiong Qingquan said when discussing capital construction: We must ensure the construction of key projects centered on electric power; projects for increasing investment in agriculture; key projects in science, technology, and education; and superior light and textile industrial projects and projects for earning foreign exchange from exports. We must cut non-productive projects and projects not covered by the plan. In particular, we must resolutely cut the construction of large buildings, halls, centers, and so on, and of processing industries whose products lack sales outlets and whose energy and raw material supplies cannot be assured. We must continue to take stock of products under construction, and be resolved to halt or postpone work on projects for which the conditions are not ripe.

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CSO: 4006/696

## XIONG QINGQUAN ON NECESSARY REFORMS

HK100537 Changsha Hunan Provincial Service in Mandarin 1000 GMT 9 May 87

[Excerpts] In his government work report delivered at the fifth session of the Sixth Provincial People's Congress, Governor Xiong Qingquan stressed that it is necessary to carry out reforms in the following aspects, centered on boosting the reserve strength of agriculture and invigorating the enterprises:

1. Carry out the rural reforms in depth, perfect two-level operations, stabilize the contract responsibility system with payment linked to output, based on the household, rationally readjust the production structure, and strengthen grass-roots building.
2. Deepen the enterprise reforms. This year the focus must be on reforming the enterprises' operational mechanism. In accordance with the principle of separating ownership from operational powers, we should institute a variety of contract responsibility systems.
3. Continue to reform the commodity circulation setup. We must further develop and perfect a circulation network made up of a variety of economic components practicing various operational modes, involving a variety of circulation channels and with few cardinal links.
4. Speed up reforms of the financial setup. We should strengthen and improve macroeconomic management, establish a tiered fiscal regulatory setup, and actively develop a variety of financial organs.
5. Promote reforms in science and technology. This year we must focus on lifting restrictions on and enlivening research organs and science and technology personnel.
6. Persevere in reforming education. We should continue to reform the concepts and methods of education, and provide the teachers with conditions for getting to know the actual situation. We should give priority to improving the quality of education and training qualified talent. We should oppose one-sided pursuit of a high percentage of students going on to higher education. The whole of society must be concerned for and support education. We must establish an excellent atmosphere of respecting teachers and attaching importance to education.



Governor Xiong Qingquan demanded that the governments and departments at all levels care for the masses' daily life. In the cities, everything possible must be done to produce and supply nonstaple food such as vegetables, meat, fish, and eggs. We must assign a conspicuous position to price stabilization. Price rises should be kept below the national average. We must strictly enforce price control jurisdiction, strengthen market controls and mass supervision, and resolutely curb all kinds of indiscriminate price hikes and imposition of charges and disguised price hikes. We must pay attention to people's difficulties in urban areas in [words indistinct], catching buses, and getting things repaired, and actively look for ways to improve things.

On caring for the daily life of the masses in rural areas, Governor Xiong said: We must focus on supporting old revolutionary bases, minority-nationality areas, and remote and poor areas.

He stressed: At present there are many accidents and serious loss of life and injury. All units must vigorously promote safety education, reduce accidents, and ensure the safety of people's lives and property.

Xiong Qingquan pointed out that it is essential to adopt effective measures to strictly control population growth within the figure set by the plan. He said: We must vigorously popularize the experiences of Changde Prefecture and persistently assign family planning work an extremely important position at all levels. We must grasp it vigorously without relaxation. We must strictly enforce the family planning policies. Indiscriminate granting of exemptions is forbidden. Regarding couples in the rural areas who, due to practical difficulties, are permitted to have a second child in accordance with the plan, we must strictly enforce the examination and approval procedure in accordance with the regulations and strictly ban births that exceed the plan.

He pointed out: Family planning is an extremely difficult task. In specific work, we must conduct meticulous ideological work and avoid simplification. However, we must adopt economic and administrative measures against people who still fail to practice family planning despite patient education.

Governor Xiong Qingquan said: We must take full advantage of Hunan's conditions such as abundant resources and good communications and work hard to expand opening up to China and the world and promote economic, technological, and cultural exchanges. He said: While expanding the earning of foreign exchange from exports, we must get a good grasp of using foreign investment and importing technology. We must actively improve the investment environment, and formulate policies providing even greater favored treatment than in the coastal provinces and cities, so as to effectively attract foreign capital and businessmen to set up enterprises in Hunan.

In importing technology, we should focus on software, key equipment, and advanced technology. We should build more projects for earning foreign exchange from exports.

He said: We must open the province's doors wide and vigorously promote economic and technological exchanges between the province and the prefectures, and

between the prefectures, counties, and cities. On the basis of consolidating the ties already established, we should further develop lateral ties on a still greater scale with neighboring provinces and regions, the coastal areas, and the southwest, and establish long-term and stable relations of association with them. Within the province, we should continue to vigorously promote lateral ties and cooperation between enterprises, between enterprises and research units and tertiary education institutes, between defense and civilian industries, between industry, agriculture, commerce, and trade, between urban and rural areas, and between different areas. Large enterprise consortia will be given separate listing in the plans by the provincial authorities, after gaining approval.

Xiong Qingquan reiterated in his report that it is essential to unfold the struggle against bourgeois liberalization in a resolute, healthy, and sustained way. He said: We must whip up throughout the province an upsurge of studying Marxism-Leninism-Mao Zedong thought. We must seriously study the two books prescribed by the CPC Central Committee as essential reading for the cadres this year.

Through study we should further enhance understanding of the importance and long-term nature of the struggle against bourgeois liberalization, and enhance awareness of upholding the four cardinal principles while carrying out reform and opening up. We must eliminate the influence of the ideological trend of bourgeois liberalization in connection with the reality of the province's ideological and political front, solve the outstanding problems, sum up the experiences and lessons, and correct our political orientation.

Governor Xiong Qingquan pointed out that an important topic in promoting the building of socialist civilization is to strengthen and improve ideological and political work to suit the new situation in reform, opening up, and invigoration. We must appropriately answer and resolve the various problems of ideological understanding reflected among the people in connection with current reality in construction, reform, and opening up. We must in particular guide people to correctly understand and handle the relations between the interests of different sectors. At present we must attach particular importance to propaganda and education in upholding the four cardinal principles, in the principles and policies of reform and opening up, in arduous struggle and building the country with hard work and thrift, and in the political and economic situation. This should be integrated with education in revolutionary traditions and with learning from heroes and models. We must attach importance to education in professional ethics.

We must strengthen management over the media and publishing and step up the building of libraries, cultural centers, cinemas, and theaters. We should develop mass culture to enrich people's spiritual life.

Xiong Qingquan stressed that it is necessary to strengthen the building of socialist democracy and law. We should popularize knowledge of socialist democracy among all the people and strengthen their consciousness of democracy and their sense of responsibility as the masters. The government at all levels must respect the legal execution of powers by the people's congresses and their standing committees, and support the people's deputies in fully exercising their democratic rights.

## MEASURES FOR DEVELOPING LIAODONG PENINSULA

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[Article by the Liaoning Provincial Economic, Technological, and Social Development Research Center: "Strategic Measures for Making the Economy of the Northeast China Flourish--Tentative Plans for Opening the Liaodong Peninsula and Developing the Export-Oriented Economy"]

[Text] The Liaodong Peninsula is composed of a coastal strip of cities, including Dandong, Yingkou, Jinshou, and Panjin, which center on Dalian, and a group of cities in central Liaoning, including Anshan, Liaoyang, Benxi, and Fushun, which center on Shenyang. Covering 10 cities under the jurisdiction of the province, and 22 countries, it is the core of Liaoning's heavy industrial base, the province's major grain and cash crop growing area, the locomotive of Liaoning's economy, the most developed areas of northeast China, and a treasure of our country.

## Favorable Conditions for the Liaodong Peninsula To Open to the Outside World

First of all, the peninsula occupies an excellent geographical position, and is accessible. Bordering Jilin, Heilongjiang, and Nei Monggol in the north, the Huanghai and the Baohai Seas in the south, and Korea in the east, and facing Japan across the sea in the southeast, the peninsula has a coastal line totaling 2,178 km, and occupies a forward position in the economic and technological cooperation of Liaoning and northeast China with the countries along the coast of the Pacific Ocean, and the various continents of the world.

The Liaodong Peninsula is a major seaport of northeast China, and Dalian is the transfer station linking the "Europe-Asia continental bridge." The "Europe-Asia continental bridge" has a vast hinterland in China, which covers not only the entire province of Liaoning but also the eastern parts of Jilin, Heilongjiang, and Nei Monggol. Within the Liaodong Peninsula, the "Europe-Asia continental bridge" has three passageways entering the Soviet Union through Manzhouli. Linking with the Siberia railway, or the main Beia [6296 7093] railway, they are capable of carrying out land-and-water coordinated transport. Dalian is a fairly ideal hub for land-and-water coordinated transport linking Asia and Europe. The railway transport mileage from Dalian to Hamburg, West Germany, is approximately 8,600 km, but the distance of sea

transport is 21,800 km, 2.5 times that of railway transport. Compared with sea transport, the railway transport period is shorter by 15 to 20 days. The distance of the continental bridge transport from Japan to Dalian, the Soviet Union and the various countries of Europe, with Dalian port as the transfer station, is shorter than that from Shanghai, Huangpu, and Tainjin ports, and can yield better economic results.

The Liaodong Peninsula's railway, road, and air transport is also very developed. Its railway density, and multiple track mileage rank first in the country. Shenyang is the hub of communications linking northeast China and the railways, highways, and airways inside Shanhaiguan. After the completion of the Shenyang-Dalian expressway, the economic ties between the gateway and the hinterland will be further strengthened.

Second, the peninsula has a substantial economic foundation. With developed and complete branches of industries, the peninsula has 17,212 enterprises of various trades, with iron and steel, machinery, petroleum, and chemical industries as the main, of which 617 are large and medium-sized key enterprises. They shape into industrial networks of various categories with their own specific characteristics, such as the machinery and instrument and meter processing network with Shenyang and Dalian as the mainstay, the iron and steel industrial network with Anshan and Benxi as the mainstay, the petroleum and petrochemical industrial network with Panjin, Fushun, Jinzhou, and Liaoyang as the mainstay, and the light and textile industrial network with Dandong and Yingkou as the mainstay. The group of cities in central Liaoning, with Shenyang as its center, which is called the "Ruhr of the Orient," and the group of coastal cities with Dalian as its center form an economically developed area in China. With developed raw material industry, and substantial strength in machinery equipment industry, this area is a key industrial base of the country.

In agriculture, the Liaodong Peninsula, a richly endowed area, has climate and topographical advantages, excellent solar energy resources, and abundant agriculture resources. A larger proportion of its farming work is done by machines, and its level of intensive farming is fairly high. It abounds in paddy rice, corns, apples, white pears, peanuts, and tussah cocoons. In 1985, its exports of apples accounted for approximately 86 percent of the total of the country, and its tussah cocoon output was 60 percent of the nation's total. It has rich marine resources. The sea areas which can be developed and utilized total more than 90 million mu, and the shallow waters and beaches where aquaculture can be developed total more than 21 million mu. It is a new area for the development of resources, and has great potential. Abundant agricultural resources provide a reliable material foundation for developing agriculture for the purpose of earning foreign exchange, accelerating the formation of the structure in which agriculture serves the processing industry and the processing industry serves and expands foreign trade.

Third, the peninsula has a comparatively strong scientific and technological foundation. The peninsula as a whole has 687,000 scientific and technical personnel of all descriptions, accounting for 85 percent of Liaoning Province's total. Among them, 426,000 are scientific and technical personnel in the



natural sciences field, accounting for 88.4 percent of Liaoning Province's total number of personnel in that field. It has 761 scientific research organs, 312 of which are independent scientific research organs, and 1,128 scientific research and production associations.

Fourth, it has rich mineral resources. Liaodong Peninsula is rich in mineral resources. So far, it has discovered 115 varieties of mineral deposits, and verified 65 kinds of metal and nonmetal reserves, basically embracing the 5 mineral resources of ferrous metal, nonferrous metal, energy mineral products, chemical raw materials, and building materials that are necessary for developing the modern chemical industry. It has a total of 3.8 billion tons of iron ore reserves, accounting for 23 percent of the country's total. It also has rich reserves of nonferrous and rare metals, including copper, lead, zinc, molybdenum, gold, and silver. The verified petroleum reserves of Liaohe oilfield account for 15 percent of the country's total. It is the third largest oilfield in China, with total natural gas reserves accounting for 10 percent of the country's total. The magnesite reserves of the peninsula account for 30 percent of the country's total, ranking first in the world. Its reserves of boron, diamonds, and talcum rank first in China. It also has rich resources of marble, gem, granite, and bentonite.

Liaodong Peninsula has rich tourist resources, with many beautiful seashores, famous mountains, lakes, reservoirs, temples, stalactite caves, hot springs, islands, and beaches as well as other natural scenery resources which are being developed, attracting a vast number of tourists at home and abroad.

#### The Strategic Significance in Successfully Opening to the Outside World

The development of Liaodong Peninsula will help establish and consolidate the strategic status of our country's northeast economic zone in northeast Asia. Northeast Asia is located in areas around the Pacific economic ring with diversified environments. It embraces economically-strong Eastern and Western countries, burgeoning industrial areas and developing countries, areas with rich natural resources, and countries with poor natural resources. Despite acute competitions, it also has the possibility of economic and trade cooperations. Facing such a complicated political, economic, and social environment in this region, the opening of Liaodong Peninsula has a great significance in establishing and consolidating the strategic status of the northeast economic zone in this region.

Our country's opening to the outside world is aimed at developing multieconomic cooperation. Viewing from the strategic perspective, we should not neglect the economic and trade relations with the Soviet Union, and other East European countries as well as with Mongolia and Korea. Liaodong Peninsula's economic and trade relations with the Soviet Union and the various East European countries can never be replaced by any economic development zones (cities) to the south of Liaodong Peninsula. The latter are our country's windows facing the Western world and the burgeoning industrial regions while Liaodong Peninsula is servicing as a gateway to contacts with the Soviet Union, various East European countries, and Japan.

The northeast economic zone has great potential for developing trade with the Soviet Union and the various East European countries. The Soviet Far East region is far away from Europe but quite near the northeast economic zone. Both regions have natural resources, technologies, and commodities to make up each other's deficiencies. Furthermore, developing various economic and trade relations with the Soviet Union and other East European countries will enable the northeast economic zone to become China's barter trade base with them. At present, our light and textile industrial products are restricted by some countries' trade protectionism, such as the United States. However, we can open up new world markets in some East European countries. Japan is the biggest trade partner of the northeast economic zone. This relation will remain unchanged in the future.

The further opening of Liaodong Peninsula will be conducive to forming a new economic pattern in the northern part of China and strengthening our country's status of economic development in the Asian-Pacific Region. Our country has opened up 4 specified economic zones, 14 coastal cities, 3 coastal economic areas, and Hainan Island. Most of these open developmental areas are located in the southern provinces and cities, which are geographically restricted to a certain extent. This is incompatible with the needs of developing our country's economy in a new situation in which the world economy is changing to a multilevel one. Being a key component of the two northern economic zones (the Northeast China economic zone and the Bohai economic ring) in the eastern part of China, the Liaodong Peninsula has an extremely great impact on the two economic zones. With an industrial foundation and intellectual-intensive structure, the Liaodong Peninsula, which occupies an advantageous position for opening the country to the outside world, becomes a link between the two economic zones, and binds into an organic whole the key development zones in the northern part of China, including the Jiaodong Peninsula, the Beijing-  
Tianjin-Tangshan areas, and the areas between Harbin and Changchun. Simultaneously, according to the operational mechanism of socialized mass production, a network for conducting large-scale economic, trade, and technological cooperation with foreign countries has been organized, and "the northern economic community," being intellectual-, technology-, and funds-intensive, has taken shape.

By further opening the Liaodong Peninsula to the outside world, the pace of modernizing the peninsula's technologies and equipment will be accelerated. Thus, over the course of socialist modernization, the peninsula undertakes tasks heavier and more arduous than those of the previous 5-year plan periods. The Liaodong Peninsula is the essence of Liaoning Province. During the previous 5-year plan period, Liaoning provided the entire nation with large amounts of basic raw materials, machines, equipment, and industrial products; accumulated substantial funds for the state; and transferred a large number of technicians and managers to various localities of the country. However, the peninsula is now confronted with such problems over the course of economic development as outdated equipment, old technologies, and backward measures for examinations and measurement. This situation neither suits the demands for realizing the strategic tasks by the end of this century nor meets the urgent needs for providing raw materials, machines, and equipment for the country's modernization. Only when the peninsula further opens itself to the outside world will it be able to use more foreign funds and bring in, assimilate, and absorb new technologies and modern operation and management methods; will the

outdated equipment and technologies be updated; and will the pace be increased for turning the production structure and product structure into intellectual- and technology-intensive structures. So, in the latter part of this century, the peninsula will substitute high science and technology for products to serve the four modernizations of the nation and undertake tasks heavier and more arduous than those of previous 5-year plan periods.

#### The Liaodong Peninsula's Strategic Goals for Developing Export-Oriented Economy

The fundamental goals of the Liaodong Peninsula for developing an export-oriented economy are to closely link the economic development of the peninsula with international economic development; to readjust production structure with the focus on developing the production of export commodities; to gradually develop itself into an export-oriented, multi-functional modern economic zone with a comparatively reasonable production structure and product mix and advanced science and technologies; and to build itself into a base for bringing in, assimilating, and absorbing foreign advanced technologies and management experiences and for transferring them to all the other places of the country, a base for creating foreign exchange through exports, and a base for producing import substitutes. Thus, we should carry forward the spirit of conducting reform, blazing new trails, continuing to forge ahead, and fighting to the bitter end; take advantage of the opportunity in which the center of world economics is being converted to pacific areas; and draw on the experience of developing an export-oriented economy gained by developing industrial countries and regions in Asia and by economically developed countries bravely using foreign funds and bringing in foreign advanced technologies, equipment, and management experiences to accelerate the transformation of traditional industries, to develop newly rising industries, and to upgrade the level of material technology and equipment. Simultaneously, we should adopt various forms to develop foreign trade and readjust the structure of export products in an effort to register a higher increase in the amounts of foreign exchange earned through exports.

There are three stages to opening the Liaodong Peninsula to the outside world. The first is to further open Dalian and Yingkou to the outside world, to the implementation of the current open policies among the countries under the jurisdiction of Dalian and Yingkou Cities, to build Dalian into an important gateway to serve the international markets in the northern part of China, to build Dalian port and Bayuquanport into important ports in the Asia-Pacific area, and to accelerate the construction of the Dalian economic and technological development zone. The counties under the jurisdiction of the cities of Dalian and Yingkou should gradually form a structure in which agriculture serves the processing industry and the processing industry serves foreign trade. By the end of this century, Dalian and Yingkou should realize the development of an export-oriented economy. The second stage is to enable the cities of Shenyang and Dandong to open to the outside world and enjoy the policy of preferential treatment enforced among the 14 coastal cities of the country and to enable the Tiexi District of the city of Shenyang to enjoy the preferential treatment of the economic development zones. The third stage is to enable the Liaodong Peninsula and other cities to enjoy the policy of preferential treatment set for the "delta" and to enable the key industrial

zones and key industrial production items, with the approval of the higher authorities, to enjoy the preferential treatment set for the 14 open coastal cities of the country. All villages on the peninsula should integrate their rural affairs and agricultural production with those of urban areas to develop the socialist commodity economy and promote the program of modernizing agriculture.

By the year 2000, we should strive to prefulfill the plan for quadrupling the annual industrial and agricultural output value and to score a yearly average increase of 8 percent. We should also reach to the current (the middle of the 1980's) world standard in our levels of production and technology. The coastal cities should reach the standard of the early stage of the 1990's.

By the year 2000, the total value of the province's exported commodities should reach more than 20 percent of the province's total industrial and agricultural output value. The target of foreign exchange earned through exports is designed to reach around \$10 billion and to score a yearly average of 12.5 percent. All areas on the peninsula should earn from \$2.5 billion.

#### Develop Policies and Suggestions on the Export-Oriented Economy

1. Efforts should be made to renew the concept. At present, the sharp competition of international markets, the enhancement of trade protectionism, the turbulence of the money markets, and the excessive variations of international market prices have taken shape and, Liaoning Province is also facing the increasingly heavy task of conducting technical renovations. Under these circumstances, it is imperative for the Liaodong Peninsula to emancipate its mind in developing the export-oriented economy and to continuously upgrade its understanding of the necessity and emergency to develop the export-oriented economy in line with the principle of integrating theory with practice. Efforts should be made to improve outdated ideas; to eliminate the "leftist" influence and the thought of the natural and petty-producer economy; to renew the concept; to enhance the idea of enforcing the open policy; to clarify the difference between "total Westernization" and enforcing an open policy; to foster a viewpoint suitable to the socialist commodity economy; to turn the concept of developing the closed or domestic-oriented economy into that of developing the open and export-oriented economy; and to enhance the sense of opening commodity markets, calculating commodity value, earning foreign exchange, and increasing economic results.

2. A good job should be done in emphatically conducting technical renovations to enhance the capability of carrying out exports to earn foreign exchanges and to readjust the export product structure to bring into play the role of the key and leading enterprises on the peninsula in exporting commodities to earn foreign exchange. Efforts should be made to formulate the policy of encouraging enterprises to export their products and establish award bonuses so as to commend the personnel who have made contributions to developing the export-oriented economy. We should consider the rate of increase in exporting commodities to earn foreign exchanges, in introducing outside funds, and in building the gross national product, as a major yardstick in measuring



the achievements scored by the leading personnel at the city level in economic work. We should commend those who have made contributions in this regard.

3. Efforts should be made to formulate the policy of encouraging enterprises to assimilate the imported technology and to make something new of it. We should adopt the "strategy" in technical imports of assimilating the imported technology and making something new of it and should encourage enterprises to establish cooperation with the scientific research departments and the higher educational institutions in assimilating the imported technology and making something new in it. Efforts should be made to enforce award systems in assimilating the imported technology and making something new of it and to adopt a protection policy for newly developed products. Through the lever of prices, we should promote product development and technical progress. In assigning taxes, we should encourage the enthusiasm of developing new products.

4. Efforts should be made to actively improve the climate of investment in developing the export-oriented economy. We should strengthen our attraction to foreign businessmen and actively improve both "hard" and "soft" climates to open the Liaodong Peninsula to the outside world. The so-called "hard" climate is to strengthen the building of the urban infrastructure, to give priority to developing transportation and communications undertaking, and to render services in the information, advisory, monetary, and insurance fields. Meanwhile, high attention should be paid to improving the "soft climate" of various social coordinative conditions, such as policies, laws, the mental outlook, working attitude, and service quality of laborers.

5. Efforts should be made to improve the managerial systems that concern foreign trade. In conducting reforms in the managerial systems of foreign trade, it is imperative for us to simultaneously conduct reforms in the financial, pricing, and planning systems. The purpose of conducting reforms is to bring the enthusiasm of producers into play and to encourage enterprises to go to the forefront of international market competitions.

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## QUANGXI GOVERNOR DISCUSSES FOCAL TASKS FOR 1987

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["Excerpts" From Part Two of Government Work Report Delivered by Guangxi Regional Government Chairman Wei Chupshu at 5th Session of the 6th Regional People's Congress on 7 May--Recorded]

[Excerpt] In accordance with the all-round arrangements of the CPC Central Committee and in light of Guangxi realities, the region should focus on two main tasks in economic work in 1987: 1) Launch an extensive regionwide drive to increase production and practice economy and increase revenue and economize expenditures, and promote the social atmosphere of arduous struggle, building the country with hard work and thrift, making greater contributions, and strictly observing discipline. 2) Continue to deepen the reforms, with the focus on boosting the reserve strength of agriculture and invigorating the enterprises. Through the efforts of all sectors, we should take greater strides in economic construction and maintain steady and coordinated development.

The main targets for the region's economic development are as follows: industrial and agricultural output value to rise by 7.9 percent, including a 6 percent rise in agriculture and a 9 percent rise in industry; grain output to reach 12.25 million tons, a rise of 1.07 million tons; local financial revenue to reach 2.716 billion yuan, a rise of 7.2 percent; total retail sales to amount to (718.2) billion yuan, a rise of 13 percent; export volume to reach \$463 million, a rise of 8.8 percent; and the retail price index is not to exceed the increase rate of last year.

These targets can be attained so long as the effort is made. We must strive to overfulfill them in our practical work. We should not only strive for a relatively great development in the economy this year but, still more important, continually boost our reserve strength, in order to maintain long-term and steady advance of the momentum of vigorous development that has already appeared. The region must therefore get a thoroughly good grasp of the following focal points for this year:

1. Launch an extensive double increase and double economy drive. This is not just a powerful motive force for developing the social productive forces, but is of a major practical and far-reaching significance for stepping up the

building of the two civilization. The people of all nationalities and all sectors and trades must mobilize to plunge into this drive, and strive to improve economic results and increase production and revenue.

In industrial production it is essential to seek an optimum product mix, which is a cardinal link, and strive to increase output of products with a ready market and goods that earn foreign exchange from exports. It is necessary to summon up resolve to reduce material and energy input consumption and management costs, reduce the amount of capital tied up in finished goods, do a good job in recycling, and step up comprehensive use.

We must cut non-productive investment, strengthen the construction of key projects, and [words indistinct]. In managing investment in fixed assets this year, we must resolutely follow the central guideline of ensuring projects covered by the plan, productive construction, and key projects, and cutting projects not covered by the plan, non-productive construction, and non-key projects. In accordance with this principle, we must do a good job in controlling the scale of investment and readjusting the investment structure. We must speed up construction of key projects.

We must develop new revenue sources and increase revenue and economize expenditures. We must have our finances on a stable foundation and change our situation of financial difficulty.

We must control the growth of consumption funds and ensure that it is commensurate with the growth of national income and labor productivity. We must uphold the following guidelines regarding consumption: Production is the precondition for consumption; consumption in daily life can only gradually rise in the wake of the development of production; under normal conditions, the rate of production development and increase in labor productivity; and the rate of growth of residents' and groups' purchasing power must be commensurate with the growth of production of consumer goods. We must not violate objective economic laws.

We must control the growth of consumption funds and also take good care of the masses' daily life. In particular, we must strictly control price increases. To ensure continuous improvement in living standards on the basis of the development of production, we must strictly control population growth. This year the region's natural population growth rate must be kept below 12.4 per 1,000.

2. Continue to deepen the reforms and further invigorate the enterprises. In line with the central arrangements, the main tasks in reforms this year are, centering efforts on invigorating the enterprises, to focus on reforming the enterprise operational mechanism and the leadership setup within the enterprises [words indistinct]. We must also carry out coordinated reforms in finances, circulation, and so on. We must further perfect the market setup.

In deepening the enterprise reforms, we must focus on invigorating the enterprises and further streamline the administration and delegation powers.

We must further promote lateral economic ties and continue to develop the region's [words indistinct], including its cooperation relations with various provinces, municipalities, and autonomous regions, and with the southwestern and central-south economic cooperation networks, together with ties between prefectures, cities, and counties, departments, and enterprises within the region. We must study and adopt still more favored treatment conditions and policies to attract large sums of domestic and foreign capital for speeding up the exploitation of the region's resources.

We must do a good job in carrying out reforms to make up a complete set by speeding up the formation of markets for vital elements in production. We should create excellent conditions for deepening the reforms and invigorating the enterprises.

3. Further strengthen the foundation position of agriculture. First, we must work hard to promote grain production. Agriculture is mainly a question of grain. We must uphold the principle of striving for self-sufficiency and importing only a little grain from elsewhere, and base our efforts on balancing grain supply and demand in the region by developing production. We must strive to reach the grain target of 28.6 billion jin by 1990 [words indistinct].

There are certain discrepancies in benefits accruing to the peasants from growing grain compared with producing other agricultural products. We must adopt economic and administrative measures to deal with this problem. While strengthening and improving macroeconomic regulation, we must further mobilize the peasants' enthusiasm for growing grain. We must stabilize the grain area and focus efforts on raising yields.

In recent years there has been a considerable decline in the farmland area in Guangxi. The sown area of grain has been reduced too much in certain places. We must take steps to control this situation. The region's grain area must be stabilized at 53 million mu, with efforts focused on raising yields. This is the basic orientation for developing grain production. The region does not have much farmland, and there are not many potentials for expanding the arable area. Since yields are rather low at present, raising the yields has become the main way to raise grain production in the region. We must work very hard in this respect.

Building grain production bases is an important means for promoting grain production [words indistinct], and we should get a good grasp of this work.

While striving for a big increase in grain production, we should ensure the steady development of rural commodity production. We should guide the rural areas to continue to rationally readjust the production structure and to make all-round arrangements in crop ratios, capital allocation, and labor input, and so on. Under the premise of stabilizing the grain foundation and ensuring steady increase in grain output, we should develop a variety of undertakings in a coordinated way, expand commodity economy, and ensure continued increases in the peasants' incomes.



We must strengthen management and guideline over the township and town enterprises and do a good job in providing services before, during, and after production. These enterprises should strengthen their competitiveness and their reserve strength for development and strive for a still higher development rate.

We must further promote the work of assisting poor areas. In carrying out this work, we must first focus on [words indistinct] and strive for an average net income increase of 20 yuan this year in 48 poor countries and cities this year, with an accompanying increase of 30 jin per capita in grain output.

We must strengthen the building of rural grass-roots organizations. We must establish these organizations and put them on a sound basis. We must enhance the work functions of the village work offices and village committees. We should support them in establishing and developing their economic strength. We must step up the training of grass-roots cadres and improve their level of politics, ideology, and grasp of policies. In this way they will understand more clearly the responsibilities and work methods for grass-roots cadres in the new period.

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## YUNNAN'S 1986 ECONOMIC, SOCIAL STATISTICS

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["Statistical Communique on Yunnan's 1986 National Economic and Social Development, Issued by the Yunnan Provincial Statistics Bureau on 17 March, 1987"]

[Text] In 1986, under the leadership of the provincial party committee and the provincial people's government, the people of all nationalities in Yunnan continued to earnestly implement the principle of revitalizing the domestic economy and opening the country to the world and consolidate and develop the results yielded by the reforms. In spite of the unprecedentedly serious natural calamities, the province was able to ensure the sustained development of its economy through its people's hard efforts. The province's total product of society<sup>(1)</sup>, national income, and various types of output value cited in this communique are calculated in terms of 1986 prices and the growth rates are calculated on comparable prices. The figures for total product of society, national income, and gross domestic product are not final figures. Total product of society is the sum of the total output value of agriculture, industry, the building trade, transport, posts, and telecommunications, commerce (including supply and marketing of goods and materials and public catering trade). National income is the sum of the net output value of the five above-mentioned departments,) reached 31.009 billion yuan, up 4.2 percent from the previous year. Its gross industrial and agricultural output value was 24.303 billion yuan, up 4.1 percent from 1985. And its national income was 15.526 billion yuan, a 3.4 percent increase over the previous year. Last year, the province's revenue increased, commodity circulation expanded, business was brisk on the urban and rural markets, much more foreign exchange income was derived from foreign trade and export than in the past, the living standards of the urban and rural populations continued to improve, and science, technology, culture, education, the public health service, and sports all developed. According to a preliminary estimate, the province's gross domestic product<sup>(2)</sup> last year was 17.725 billion yuan, up 3.9 percent from 1985. Efforts were made to strengthen the building of both the material and spiritual civilizations. Social order and social customs continued to improve. At present, the most important problems concerning national economic development are the still excessive investment in fixed assets, the rapid increase in consumption funds, and poor economic results produced by some industrial and commercial enterprises.

## I. Agriculture

In 1986, the province was hit by natural calamities the seriousness of which had been unprecedented in the past few decades. More than 40 percent of the province's cultivated land was affected. Thanks to the people's indomitable efforts, losses were reduced. However, the province's gross agricultural value still slightly decreased. It was 9,601 billion yuan (excluding the output value produced by industrial enterprises at or below township and villages levels), 2.4 percent less than in 1985. Of this sum, crop cultivation brought in 5.18 billion yuan, 6.6 percent less than in 1985. The output value of forestry decreased by 13.3 percent. The output value of animal husbandry, fishery, and sideline production rose by 2.5 percent, 21.0 percent, and 17.7 percent, respectively. The gross agricultural output value of the nationality autonomous areas (including the province's 8 nationality autonomous prefectures and 19 nationality autonomous counties, the same below) decreased by 0.6 percent.

The output of grain, oil-bearing crops, flue-cured tobacco, and silkworm cocoon decreased because of the natural calamities. However, the output of most major industrial crops hit an all-time high. The output of major farm products was as follows:

	1986	Percentage Increase Over 1985
Grain	8,700,000 tons	- 7.0
Oil-bearing crops	109,800 tons	- 7.1
of which:		
Rapeseed	67,000 tons	- 6.6
Sugar cane	5,294,900 tons	10.4
Flue-cured tobacco	286,000 tons	-30.2
Tea	34,100 tons	9.8
Silkworm cocoon	1,601.9 tons	- 8.5

In 1986, the province built 443,900 hectares of forests. The output of rubber increased by 22.7 percent, that of raw lacquer, 14.8 percent, and that of rapeseed [as published], 1.6 percent. The output of shellac, walnuts, Chinese chestnuts, and tung oil tree seed decreased by varying degrees.

The output of beef and pork was basically equal to that in the previous year. The number of sheep and goats in stock at the end of last year was smaller than that at the end of 1985. However, there were more large animals and pigs in stock at the end of last year than at the end of 1985. Milk output increased

rapidly last year. The output of major animal by-products and numbers of livestock were as follows:

	1986	Percentage Increase Over 1985
Pork, beef, and mutton of which:	567,300 tons	- 0.2
Pork	539,100 tons	- 0.9
Milk	47,900 tons	13.5
Large animals at year end	9,045,500 head	3.5
Pigs at year end	17,126,100 head	0.5
Sheep and goats at year end	6,851,400 head	- 5.4

There was a rapid growth in fishery production. Last year, the province's output of aquatic products was 31,200 tons, a 17.7 percent increase over 1985.

Conditions for agricultural production continued to improve. In 1986, the aggregate power capacity of the province's farm machines reached 4.747 billion watts [unit as published], an 8.1 percent increase over 1985. The number of large and medium tractors was 18,100, a 2.2 percent increase over the previous year and the number of small, hand-guided tractors was 86,200, a 16.8 percent increase over 1985. The number of trucks was 12,600, a 19.6 percent increase over the previous year and the number of sets of irrigation and drainage equipment was 41,200, 1.4 percent less than in 1985. The total amount of chemical fertilizer applied last year was 1,744,200 tons, an 11.9 percent increase over 1986. The total consumption of electricity in the rural areas was 802 million kilowatt-hours [unit as received], a 6.3 percent increase over 1985. The total area of land under effective irrigation was 966,600 hectares, 0.2 percent more than in the previous year.

Last year, the rural reforms continued to develop and the rural production set-up was readjusted. In 1986, the total rural production of society<sup>(3)</sup> was 12.876 billion yuan, a 3.0 percent increase over the previous year. Of this, 3.275 billion yuan was the output value of industry, the building industry, transportation service, commerce, and the public catering trade in the rural areas, 18.1 percent more than in the previous year. Together their proportion to total rural product of society rose from 23.6 percent in 1985 to 25.4 percent in 1986. The proportion of the rural labor force employed in the secondary and tertiary industries to the entire rural labor force rose from 8.6 percent in 1985 to 9.1 percent in 1986.



## II. Industry

At the beginning of 1986, we managed to overcome the problem of the shortage of working funds and some raw and processed materials and were thus able to keep industrial production growing at a considerable rate. The province's gross industrial output value last year was 14.702 billion yuan (including the gross industrial output value of industrial enterprises at or below village level), an 8.4 percent increase over the previous year<sup>(4)</sup>. The gross output value of state-owned industry increased by 5.7 percent, that of collective industry 15.5 percent, that of individually run industry increased by 42.7 percent, and that of other types of industry increased by 4.5 percent. The gross output value of the industry in the nationality autonomous areas was 14 percent higher than in the previous year.

The plans for the production of 43 of the 60 major products listed in the most important assessment plans, including sugar, cigarettes, household refrigerators, raw coal, electricity, chemical fertilizer, cement, plate glass, and 10 nonferrous metals, were either fulfilled or overfulfilled. The plans for the production of the 17 other products, such as farm chemicals, motor vehicles, and internal-combustion engines, were not fulfilled. The production of some of these products was curtailed because they were oversupplied.

In 1986, the province's light industrial output value was 6.767 billion yuan, a 10.9 percent increase over the previous year, and the output of durable consumer goods increased significantly. The output of major light industrial products was as follows:

	1986	Percentage Increase Over 1985
Cotton yarn	39,900 tons	11.8
Cloth	167,880,000 meters	10.8
Woollen piece goods	687,500 meters	150.0
Machine-made paper and paper boards	107,300 tons	5.5
Sugar	459,500 tons	39.9
Cigarettes	2,357,200 cartons	14.3
Refined tea	26,405 tons	19.8
Alcoholic beverages	149,200 tons	9.6
Synthetic detergents	30,593 tons	59.6
Bicycles	374,800	49.9
Household sewing machines	57,800	670.0

Wrist-watches	78,700	8.7
Television sets of which:	53,738	- 51.8
Color television sets	36,256	16.4
Tape recorders	6,826	- 77.6
Household washing machines	50,044	10.3
Household refrigerators	25,002	47.1

In 1986, the province's heavy industrial output value was 7.935 billion yuan, a 6.2 percent increase over the previous year. Both the energy industry and the raw materials industry grew. The output of primary energy was equivalent to 12,2034 million tons of standard coal, a 4.9 percent increase over the previous year. The output of major heavy industrial products was as follows:

	1986	Percentage Increase Over 1985
Coal	17,000,000 tons	3.8
Electricity of which:	8,452,000,000 kwh	12.0
Hydroelectricity	5,023,000,000 kwh	11.1
Steel	554,800 tons	- 1.2
Finished steel products	468,000 tons	1.8
10 nonferrous metals	160,245 tons	7.0
Timber of which:	3,413,000 cubic meters	3.0
Commodity timber	2,665,500 cubic meters	- 0.6
Cement	3,406,500 tons	10.7
Plate glass	1,056,700 standard cases	20.9
Sulphuric acid	263,857 tons	25.4
Caustic soda	21,552 tons	0.1
Chemical fertilizer (in terms of 100 percent efficiency)	634,900 tons	5.5
Farm chemicals	840 tons	-11.8

Outer rubber tyres	315,900	6.8
Power generating equipment	49,700 kilowatts	6.0
Machine tools	3,463	- 3.6
Motor vehicles	3,762	-31.0
Hand-guided tractors	10,008	-13.9
Internal-combustion engines (sold as a commodity)	407,750,000 watts	-24.1

In 1986, the state-owned industrial enterprises' per capita productivity was equivalent to 13,457 yuan, a 5.2 percent increase over the previous year. According to a statistical survey of the province's most energy-consuming industrial enterprises, the net amount of energy consumed for the production of each 10,000 yuan of output value was 0.64 percent smaller in 1986 than in 1985. The number of money-losing enterprises decreased. However, because of the great changes in external conditions and of the poor management of some enterprises and their inability to adapt themselves to changes, some economic results declined. Last year, the gross output value of budgeted state-owned industrial enterprises was 5.4 percent higher than in 1985, the income derived from the sales of their products increased by 9.5 percent, their turnover in the forms of profits and taxes increased rose by 2.4 percent, and the total amount of taxes and profits collected from them increased by 9.8 percent. In 1986, the turnover period for fixed amounts of working funds lengthened, the quality of some products remained quite unstable, consumption rose, and the total cost of comparable products went up by 8.0 percent.

Last year, the province's industrial enterprises continued to earnestly apply various systems of economic responsibility and implement various policies and measures for revitalizing large and medium enterprises. In 1986, 39.4 percent of the state-owned industrial enterprises in the province applied the system of the plant director assuming full responsibility and 2 percent of the small state-owned industrial enterprises in the province were allowed to be run on a lease or contract basis. Lateral economic ties rapidly developed. According to a rough statistical report, in 1986, there were 24 very close-knit or quite close-knit economic combines in the province. They have been formed by 99 industrial enterprises with a total capital input of 44.54 million yuan.

### III. Investment in Fixed Assets and the Building Industry

The rapid increase in the investment in fixed assets was basically checked. In 1986, the province's urban and rural areas invested 5,146 billion yuan in fixed assets, 346 million yuan, or 7.2 percent, more than in 1985. However, its growth rate was lower than the 45.5 percent growth rate in 1985. Of this sum, 3,545 billion yuan was the investment in fixed assets by state-owned units, 848 million yuan was the investment in fixed assets by urban and rural collectively owned units, and 753 million yuan was contributed by urban and

rural individuals. Of the total sum of investment in fixed assets by state-owned units, 1.99 billion yuan went to capital construction, 157 million yuan, or 7.3 percent, less than in the previous year. Investment in local capital construction projects totaled 1.25 billion yuan, 169 million yuan, or 11.9 percent, less than in the previous year.

The distribution of investment in capital construction changed for the better. Investment in capital construction by the energy industry departments totaled 485 million yuan, 0.9 percent more than in the previous year. The materials industry departments invested 181 million yuan, 36.2 percent more than in 1985. Investment in capital construction by educational and scientific research departments totaled 250 million yuan, 21.5 percent more than in the previous year. The proportion of investment in the energy and materials industries to the total sum of investment in capital construction rose from 28.6 percent in 1985 to 33.5 percent in 1986. Investment in productive construction projects totaled 1.153 billion yuan and its proportion to the total amount of investment in capital construction rose from 55 percent in 1985 to 57.9 percent, and investment in nonproductive construction projects totaled 837 million yuan and its proportion to the total amount of investment in capital construction dropped from 45 percent in 1985 to 42.1 percent in 1986. Of the investment in nonproductive construction projects, 343 million yuan was investment in the construction of residential houses. The proportion of the latter to the total amount of investment in capital construction dropped from 20.4 percent to 17.2 percent. However, the distribution of investment was still not very rational. The amount of investment in agriculture, transportation services, and posts and telecommunications services was too small compared with the large amount of investment in nonproductive construction projects. In addition, too many halls, ceremonial and memorial buildings, and so on were constructed.

Construction of key projects was accelerated. The 36 key construction projects proposed by state-owned units in the province and approved by the provincial authorities claimed 727 million yuan of investment, 1.7 percent more than the amount specified in the yearly plan. With the exception of a few, all these projects were put into operation as scheduled. The completed key construction projects that were put into operation included: Houshuo Coalmine's No 2 shaft at Damogou, the Kunming Coking Plant and its pipeline network, Generator No 2 of Phase One of the Xiaolongtan Power Plant, the Kunming Cement Plant's new quarry, a mine dug in Wangliu [4986 4288] by the old plant under the Yunnan Tin Industry Company, Phase Two of the Kunming Sodium Tripolyphosphate Plant, the Haikou Phosphorus Mine's Zhongshi [0022 6107] Workshop, the highway linking Fuyuan and Yujialaochang [0151 1367 5071 0617], the highway linking Simao and Lancang, and the Yunnan Provincial Chicken Breeding Center. Investment in 10 teachers' colleges totaled 18 million yuan, 6.1 percent more than the amount specified in the yearly plan.

A total of 1,945 capital construction projects were completed and put into operation. The value of the province's fixed assets thus increased by 1.692 billion yuan. The newly added production capacities included: generators with a total generating capacity of 110,000 kilowatts, 47,000 tons of pentasodium [wu na 0063 6871], 132,000 tons of tin mining capacity, 500,000 tons of coal mining capacity, 30,000 tons of phosphate fertilizer, 260,000 tons of coke,



a daily supply of 170,000 cubic meters of coal gas in the cities, 1.3 tons [as published] of machine-made sugar, highways with a total length of 684 km, another 9,500 places at institutions of higher learning, and another 128,000 places at secondary and primary schools.

Existing enterprises devoted further efforts to technical transformation. In 1986, state-owned units in the province invested 1.555 billion yuan in updating and replacing equipment and in some other fixed assets, 330 million yuan, or 26.9 percent, more than in 1985. Of this investment, 1.29 billion yuan was spent in replacing and updating equipment, 31.9 percent more than in 1985. Of this sum, 595 million yuan was spent in procuring new facilities and equipment, 26.4 percent more than in 1985; 479 million yuan was spent on enhancing production capacities, 62.2 percent more than in the previous year; and 100 million yuan was spent in increasing the variety of goods, 20.2 percent more than in 1985. Last year, 1,783 technical transformation projects were completed. The value of fixed assets thus added was 1.073 billion yuan. All this has in turn facilitated the technical transformation of existing enterprises and the replacement of their equipment. Thanks to all this, each year, the province will be able to increase its gross output value by 670 million yuan and earn \$5.18 million of foreign exchange and the total amount of taxes and profits collected from the province will increase by 385 million yuan.

Investment in fixed assets was quite excessive. Because of the large number of projects proposed in the past few years, the number of capital construction and technical transformation projects being executed by state-owned units at the end of 1986 reached over 2,500.

The reform of the administrative systems of the building industry and capital construction steadily developed. Of the large- and medium-scale capital construction projects launched by the province, 44 percent were executed under systems with the investor assuming full responsibility. More than 2,500 public works and buildings were constructed on sites with a total area of 3.72 million square meters, that is, 84.3 percent of the total area of all the sites worked on by people last year, by state-owned building construction units under various contracts systems. In 1986, the gross output value of the state-owned building construction units in the province was 10.9 percent and their per capita productivity 9.1 percent higher than those in the previous year. The gross output value of the collectively owned building construction units in the cities and towns was 12 percent and their per capita productivity 3.7 percent higher than in 1986.

Geological work registered new achievements in 1986. Major mineral ore deposits were discovered at 14 points. Thorough investigations can now be conducted at 12 of these 14 points. The reserves of 8 major minerals were verified. Tunnelling footage completed last year totaled 254,000 meters.

#### IV. Transportation, Posts, and Telecommunications

In 1986, the province's transportation departments conscientiously tapped their own potentials in the course of the reforms and there was an increase in the volume of goods and number of passengers transported. The total volume

of goods transported by all means of transportation was 9.232 billion ton-kilometers, up 7.6 percent from 1985. Of this, the volume of railroad freight was 6.972 billion ton-kilometers, a 7.5 percent increase; that of road goods was 2.216 billion ton-kilometers, up 7.3 percent; that of waterway cargo was 38.92 million ton-kilometers, 1.3 percent less than in the previous year; and that of air freight was 5.85 million ton-kilometers, a 9.8 times increase over the previous year.

The total volume of passenger travel handled by all means of transportation was 8.148 billion person-kilometers, an 11.9 percent increase over the previous year. Of this, the railroads carried 1.984 billion person-kilometers, up 1.4 percent. The volume of road passenger transportation was 5.756 billion person-kilometers, a 9.6 percent increase. The volume of waterway passenger transportation was 44.13 million person-kilometers, up 37.3 percent. And the volume of air passenger transportation was 363.91 million person-kilometers, a 7.5 times increase over the previous year.

The province's postal and telecommunications service continued to develop. The total volume of transactions was 70.39 million yuan, up 5.5 percent from 1985. The number of letters handled increased by 0.7 percent, newspapers and magazines distributed decreased by 1.9 percent, the number of telegrams dropped by 9.5 percent, while that of long-distance calls increased by 3.6 percent. The number of telephone subscribers in the urban areas was 42,100 at the end of 1986, a 15.4 percent increase over 1985. The total amount of profits earned by posts and telecommunications enterprises last year was 73.93 million [figure as published] yuan, a 16.3 percent increase over the previous year.

Regarding the economic results of the transportation and posts and telecommunications departments, the total amount of the profits of the railroads was 14.2 percent larger than that in 1985 and that of the province's state-owned bus service increased by 12.5 percent and its per capita productivity was 7.5 percent higher than in the previous year.

#### V. Domestic Trade and Supply and Marketing of Goods and Materials

Urban and rural markets thrived in 1986. Last year, the total value of retail sales in society was 10.108 billion [figure as published] yuan, an 8.5 percent increase, or an actual increase of 3.3 percent if price increases are factored in, over the previous year. Of this, 9.191 billion yuan was the value of the retail sales of consumer goods, up 8.8 percent from 1985, and 918 million yuan was the value of the retail sales of means of agricultural production, up 4.9 percent. The value of the retail sales of commodities turned out from various sectors of the economy went up significantly. The value of the retail sales of commodities turned out from the state-owned sector of the economy grew by 3.8 percent, that of the retail sales of commodities turned out from the collective sector of the economy grew by 2.7 percent (the volume of the retail sales by supply and marketing cooperatives, however, decreased by 2.1 percent), that of the retail sales of commodities turned out from the cooperative sector of the economy decreased by 46.1 percent, that of the retail sales of commodities turned out from the individual sector of the economy went up by 30.1

percent, and that of the retail sales by peasants to the non-agricultural population rose by 24.1 percent. The value of the retail sales of commodities in the nationality autonomous areas was 3.6 percent higher in 1986 than in 1985.

The volume of the retail sales of consumer goods, including foodstuffs, clothes, tools, utensils, and expendables, increased. The volume of the retail sales of foodstuffs increased by 9.2 percent (or 0.8 percent if price increases are factored in), that of clothes increased by 1.2 percent, and that of tools, utensils, and expendables increased by 13.5 percent. Judging by the volume of the retail sales of the major categories of consumer goods, it can be seen that the volume of the sales of high-grade and mid-grade high-quality durable consumer goods increased more significantly than that of others.

The commercial structural reform developed and commodity circulation expanded. By the end of 1986, more than 3,000 state-owned commercial enterprises (including ones in the public catering trade and other service trades), that is, about three quarters of the total number of small enterprises, had become collectively run state-owned enterprises or collectively owned enterprises run by individuals on a lease basis. The number of commodity fairs in both the cities and the countryside increased from 2,665 at the end of 1985 to 2,723 in 1986. The total volume of fair trade last year was 2.696 billion yuan, a 21.0 percent increase over the previous year. By the end of 1986, the total number of economic combines in commerce and the public catering trade, and other service trades had reached 139. The total volume of their business was 91.8 million yuan, while the total amount of their profits was 3.62 million yuan.

Regarding the economic results of the state-owned commercial departments and supply and marketing cooperatives, the net value of commodities was 12.9 percent higher than in 1985, the expenses incurred in the sale of each 100 yuan's worth of their commodities were 0.5 percent higher in 1986 than in 1985, the total amount of taxes and profits collected from them decreased by 13.3 percent, and the average amount of working capital kept in possession by these units was 18.6 percent larger in 1986 than in 1985.

Prices continued to rise. In 1986, because more farm and sideline products were purchased at negotiated prices, the price index for the purchase of farm and sideline products rose by 6.9 percent. The general retail price index in 1986 rose 5 percent over 1985. The retail price index rose by an average of 4.6 percent in the cities and towns and 5.3 percent in the countryside. The prices of food in general rose by 8.3 percent; that of fresh vegetables dropped by 1.5 percent; that of meat, poultry, and eggs rose by 7.8 percent; that of aquatic products rose by 9.6 percent; that of fresh fruits rose by 15.2 percent; that of grain rose by 13.5 percent; that of garments rose by 1 percent; that of woollen goods rose by 4.7 percent; that of daily necessities rose by 3.7 percent; that of books, newspapers, and magazines rose by 12.9 percent; and that of fuel rose by 9.7 percent. There were still people who invented excuses for increasing prices, lied about the quality of their goods, and gave short measure.

The living cost index for workers and staff rose 4.8 percent over 1985. Of this, prices for consumer goods rose by 4.6 percent and those for various services went up 7.1 percent.

In 1986, more means of production were subject to market regulation and fewer goods and materials were distributed according to state plans. The proportion of steel products distributed according to state plans dropped from 68.6 percent in 1985 to 64 percent in 1986 and the proportion of cement likewise distributed dropped from 58.3 percent in 1985 to 57 percent in 1986. The business volume of the production means trade centers reached 1.77 billion yuan, a 10.3 percent increase over the previous year. The average time for the turnover of fixed-quota circulating funds of the materials supply departments was 72 days, 9 days longer than in 1985, and the time for the turnover of fixed-quota circulating funds of provincial materials supply departments was even 10 days longer than in 1985.

## VI. Foreign Trade and Tourism

Foreign trade developed and more foreign exchange income was derived from export trade. According to a statistical report prepared by the Economic and Trade Affairs Office, in 1986, the total volume of the province's exports and imports was \$265.37 million, a 24.7 percent increase over the previous year. The total volume of its exports was \$168.93 million, a 30.9 percent increase over 1985, and that of its imports was \$96.44 million, a 15 percent increase over 1985.

More foreign exchange income was derived from sources other than foreign trade. In 1986, the total amount of foreign exchange income derived by the province from such sources was \$14.47 million, up 19.5 percent from 1985. The province expenditure in foreign exchange totaled \$2.83 million, an 8.4 percent increase over the previous year.

Foreign capital was used on a large scale than in 1985. In 1986, the total amount of foreign capital directly used by the province was \$5.79 million, 2.5 times more than in 1985. Of this sum, \$3.54 million was directed [to] foreign investment, 1.3 times more than in 1985.

Further advances were made in economic and technical cooperation with foreign countries. In 1986, the province signed 5 contracts for overseas engineering projects and labor service, altogether worth \$12.749 million. In the same year, the province also fulfilled contracts valued at \$6.156 million.

Tourism developed. A total of 95,300 people from 50 countries and regions came to Yunnan in 1986 on tours and visits and for trade, sports, and other exchanges, 32.0 percent more than in 1985. There were 57,600 foreigners, a 23.7 percent increase over 1985, and 37,700 overseas Chinese and Hong Kong and Macao compatriots, up 47.3 percent. The total amount of foreign exchange income derived from tourism was \$40.26 million, a 49.8 percent increase over the previous year.

## VII. Science, Education, and Culture

The reform of the system governing scientific and technological work steadily developed and science and technology contributed much to economic construction. In 1986, 99 scientific and technological research results won prizes from the



province and 35 discoveries were patented. A science and technology market sprang up and some technological achievements were popularized and applied. In 1986, 156 technological achievements were transferred to others for a total of 19.55 million yuan. The meteorological departments were able to promptly and accurately report regional weather conditions that would lead to natural calamities, thus raising the social value of the meteorological service and improving its economic results.

The province's contingent of scientists and technicians continued to expand. In 1986, the province's state-owned units employed a total of 162,400 natural science professionals and technicians, 8,247 more than in 1985. There were 229,600 social science professionals in the province, 11,000 more than in the previous year.

Education steadily developed amid the reforms. In 1986, the province enrolled 429 postgraduate students, 29 less than in the previous year. There were 1,023 postgraduate students studying in the province, 283 more than in 1985. A total of 136 postgraduate students graduated last year. The province's regular institutions of higher learning enrolled 12,191 undergraduate students and students of professional subjects. Last year, these institutions of higher learning had a total enrollment of 37,678 students, 5,409 more than in 1985, and 6,714 graduated.

Secondary vocational and technical education rapidly developed. The total number of students studying at the province's secondary vocational or technical schools was 120,000, 16,500 more than in the previous year, and 108,700 of them were studying at senior secondary vocational or technical schools. This means that 37.4 percent of the province's 290,900 secondary school students were studying at senior secondary vocational or technical schools. Secondary education was further readjusted structurally.

Progress was made in popularizing 9 years compulsory education. The total enrollment of the province's junior secondary schools was 934,400, 79,800 more than in 1985, and the total enrollment of the province's primary schools was 5,121,400. Of the total number of school-age children in the province, 93.6 percent, 0.5 percent more than the 93.1 percent in 1985, were enrolled. Pre-school education and education for the blind, the deaf, the mute, and the mentally retarded developed considerably.

Adult education at all levels steadily developed. The institutions of higher learning for adults had a total of 16,880 undergraduate students and students of professional subjects. The total enrollment of the province's secondary vocational schools for adults was 27,141, and that of technical schools for adults was 7,500.

Culture flourished. In 1986, Yunnan produced two feature films. There were 7,498 film projecting units, 147 performing art troupes, 130 cultural centers, 149 public libraries, 15 museums, 146 archives, 6 radio stations, 29 transmitting and relay stations, 5 television stations, and 19 television transmitting and relay stations with a capacity of 1 kilowatt each in the province. A total of 247.69 million copies of provincial newspapers, 11.034 million

copies of magazines, and 101,112 million copies (or sheets) of books were published last year.

#### VIII. Public Health and Sports

Medical and health conditions improved. At the end of 1986, the province had a total of 68,600 hospital beds, 0.9 percent more than at the end of 1985. The number of professional health workers in the province totaled 39,800, a 2.8 percent increase over the previous year. This included 43,700 doctors (including 16,300 practitioners of both Chinese and Western medicine), a 2.5 percent increase, and 13,100 senior nurses and nurses, a 4.1 percent increase. Progress was made in the prevention of acute and chronic infectious diseases and endemic diseases.

Sports made further headway. In 1986, the province's athletes did well in both national and international competitions. Four of them won world championship and gold medals at the 10th Asian Games and 5 won silver medals. In national competitions, the province's athletes and junior athletes won 42 gold medals, 25 silver medals, and 23 bronze medals and 88 won fourth, fifth, and sixth places. Mass sports activities were extensive and popular.

#### IX. Living Standards

Living standards in both the urban and rural areas improved. According to a sample survey of 650 households in Kunming City, Gejiu City, and Dali City and in the seats of Xuanwei, Puer, and Lijiang Counties, in 1986, the province's city and town dwellers had an average per capita income of 806.94 yuan which could be used for living expenses, a 14.8 percent increase, or a 9.5 percent actual increase if the rise in living cost is factored in, over 1985. However, because of family expansion, retirement, and price hikes, the income of a few households actually decreased.

According to a sample survey of 2,400 rural households in 40 counties, in 1986, the province's peasants had an average per capita net income of 352.12 yuan (or 338.14 yuan if the income derived from the sales of their property and the value of the gifts they received from their relatives and friends are deducted from it), a 4.1 percent increase over the previous year. When price hikes are considered, the income increased only very slightly. Of this per capita net income, 305.39 yuan was the income derived from production, 3.7 percent more than in 1985, and 46.73 yuan was the income derived from other sources, 6.3 percent more. However, with an average per capita net income of less than 200 yuan, 17 percent of the peasant households in the rural areas still lived in strained circumstances.

The reform of the labor system developed intensively. In 1986, the province's cities and towns provided jobs for 87,400 unemployed people. At the end of 1986, the province had a total of 2,636,500 workers and staff members, 56,500 more than at the end of 1985. The state-owned units employed 85,400 workers and staff members on a contract basis, 26,900 more than in the previous year. There were 119,600 individual laborers in the province's cities and towns, 3,000 more than in the previous year. In 1986, the total amount of wages for

the province's workers and staff members was 3,408 billion yuan, a 13.1 percent increase over 1985, and the average amount of cash wages for them was 1,300 yuan, an 11 percent increase, or a 5.9 percent actual increase if the rise in living expenses and prices is factored in, over 1985.

Urban and rural savings deposits increased by a wide margin. At the end of 1986, urban and rural savings amounted to 3.976 billion yuan, a 33.2 percent increase over the previous year.

Housing for both urban and rural dwellers improved. In 1986, housing projects completed in the province's cities and towns totaled 3.56 million square meters and those completed in the countryside totaled 14.61 million square meters.

Social welfare services continued to improve. In 1986, there were 40 social welfare institutes in the province, providing for 1,357 people. Urban and rural collectives provided for 62,400 elderly people, disabled people, and orphans.

#### X. Population

The natural growth rate of population continues to rise. According to a sample survey conducted in 19 counties and cities, in 1986, the birth rate in the province was 25.96 per thousand and the mortality rate was 7.87 per thousand. The natural growth rate rose from 13.52 per thousand in 1985 to 18.09 per thousand in 1986. This sample survey indicates that at the end of 1986, the province had 34.68 million people, 620,000 more than at the end of 1985.

#### FOOTNOTES

1. All figures for gross domestic product [quo nei sheng chan zong zhi--0948 0355 3932 3934 4920 0237].
2. Gross domestic product is the sum of the gross output value of domestic [quo nei--0948 0355] material producing and non-material producing departments)
3. Total rural product of society includes the gross output value of agriculture and the gross output value registered by collective and individually run rural industries, the building industry, transportation service, and commerce.
4. Since the 1986 official communique was issued, the output value derived from the production of flue-cured tobacco, refined tea, and sausage casing has been calculated in terms of the processing cost rather than in terms of their gross prices as we did in the past and the output value of power industry has been calculated in terms of the amount of electricity sold, the supply quantity, and administrative charges. If they are calculated in the old way, the province's gross industrial output value will have increased by 8.7 percent and its light industrial output value and heavy industrial output value will have increased by 10.8 percent and 6.5 percent, respectively.

## PLANNING, BUDGETING FOR 1987 OUTLINED

## Report on 1987 National Plans

Hong Kong CHING-CHI TAOPAO [ECONOMIC REPORTER] in Chinese No 12, 30 Mar 87  
p 7

[Unattributed article: "Launch a Drive To increase Production and Practice Economy for Steady Development of the Economy"; first paragraph is source-supplied introduction]

[Text] At the second plenum of the fifth meeting of the Sixth NPC, Song Ping delivered a report on draft plans for national economic and social development during 1987, and Wang Bingqian [3769 0014 0051] delivered a report on implementation of the 1986 national budget and on a draft budget for 1987. Excerpts of the two reports are provided below.

Song Ping, State Councilor and minister in charge of the State Planning Commission, said that both construction and reform continued to maintain a fine development stance during 1986. He listed 1986's achievements in detail as follows: the rural economy continued to develop on a foundation of increased grain output; industrial production shifted from the super high speed of the previous year to normal development, maintaining a moderate rate of growth; the overly rapid increase in investment in fixed assets was brought under preliminary control, and key construction was strengthened; domestic markets prospered, with supplies of most merchandise being normal; economic and technical exchanges with foreign countries continued to expand; scientific, educational, cultural, medical, and physical education endeavors saw further development; the standard of living continued to rise; and new progress was made in reform of the economic system.

Song Ping noted that some problems in urgent need of solution exist in the national economy, foremost of which are the following; locally allocated investment and investment outside of budget exceeds state plan by too large an amount, fixed assets in society as a whole remaining too large a part of the total amount of construction; consumption demand has grown too quickly; the mix of industrial manufactures does not meet changes in market demand; a deficit has come about in public finances; prices of some goods have risen quite a bit, and foreign exchange receipts and expenditures are out of balance.



In talking about the 1987 plan, Song Ping said the main task in national economic and social development for 1987 is further enlivening of large and medium-size enterprises and strengthening of agricultural reserves, striving to realize a basic balance between overall social demand and overall social supply, and maintenance of steady development of the national economy through both a vigorous drive to increase production and practice economy and to increase revenues and conserve on expenditures, and pervasive reforms.

The 1987 plan has the following several main components:

--Strengthening of agriculture, striving for a substantial increase in the production of grain and of other agricultural and sideline products urgently needed by society. During 1987, efforts should be made to achieve a gross output of between 400 million and 405 million tons. Plans call for a GVAO of 313.5 billion yuan, a 4-percent increase over 1986.

--Active readjustment of the structure of industrial production, focusing on readjustment of the mix of products produced by the light and textile industries and by electromechanical industries. Plans call for a 1987 GVIO of 1.1 trillion yuan, a 7-percent increase over 1986.

--Continued buttressing of key construction with an expansion of energy, and raw and processed materials production capacity and of transportation and communications capabilities. Plans call for an investment of 195 billion yuan in fixed assets in state-owned units during 1987, substantially maintaining the 1986 level. Of the investment in capital construction, investment in construction of key energy, communications and transportation, and raw and processed materials industries will be further increased over 1986.

--Adherence to a policy of opening to the outside world, with active expansion of exports and increased foreign exchange earnings.

--Taking a firm grip on the tackling of a number of key S&T problems and S&T promotion projects; vigorous intensification of the training of various kinds of talent and promotion of the development of various kinds of cultural endeavors.

--Continued improvement in the standard of living of the people in cities and the countryside founded on the development of production. Further appropriate arrangements are to be made during 1987 to find jobs for city and town labor; plans call for an increase of 14 billion yuan over 1986 in the total wage bill for staff members and workers, most of it to be spent on the hiring of new staff members and workers and for increased wages attending normal conversions to scheduled grades. The amount of rise in the level of retail prices is to be strictly controlled at less than the 1986 rise.

## 1987 Budget Outlined

Hong Kong CHING-CHI TAOPAO [ECONOMIC REPORTER] in Chinese No 12, 30 Mar 87 p 7

[Unattributed article: "Increase Revenues, Reduce Expenditures and Control Deficits"]

[Text] State Council member and Minister of Finance Wang Bingqian said 1986 gross national revenues amounted to 222.03 billion yuan for a 103.7-percent fulfillment of the budget. Gross national expenditures amounted to 229.11 billion yuan in a 107-percent fulfillment of the budget. After offsetting expenditures against receipts, there was a deficit of 7.08 billion yuan.

Wang Bingqian provided an explanation about how the financial deficit had come about. He said that the financial revenue situation had been good in 1986; however, a slide in petroleum prices on the international market, a decline in prices paid for primary goods, a rise in export foreign exchange conversion costs, and a drop in customs revenues had had a definite effect on financial revenues.

He said that the appearance of a deficit in 1986 was also attributable to fairly numerous increases in expenditures in the course of implementing the budget that exceeded current year financial capacity.

Wang Bingqian presented for discussion by the congress a draft of the national budget for 1987 in which gross financial revenues are to be 237.929 billion yuan and gross financial expenditures are to be 245.946 billion yuan. After offsetting expenditures against receipts, expenditures will be 8.017 billion yuan more than revenues.

He said that among the budgeted expenditures was the appropriation of 65.593 billion yuan for capital construction, the same as the amount budgeted for expenditure in 1986; an expenditure of 12.445 billion yuan for agriculture, an increase of 400 million yuan over 1986; 38.778 billion yuan for cultural, educational, scientific, and medical undertakings, an increase of nearly 800 million yuan; an increase of 250 million yuan in national defense expenditures to 20.376 billion yuan for defense; and a reduction in administrative expenses of nearly 1 billion yuan.

Wang Bingqian said that in order to control the deficit within the lowest possible limits, the State Council intended to use various measures, foremost of which are the following:

--Readjustment of the investment structure to insure key construction. While strictly controlling the amount of investment in capital construction in 1987, a decision has been made to readjust the investment structure to increase construction of key industries including energy, transportation, communications, and raw and processed materials, holding down nonproductive construction and investment outside of plan.

--Rational planning for investment in intellect to insure indispensable expenditures for cultural, educational, scientific, and medical undertakings.

--Cutbacks in financial expenditures to hold down excessive spending. Unless a decision is made to cut spending and to hold down overly inflated nonproductive expenditures, the financial deficit is bound to continue to expand. The State Council has decided that aside from expenses that must be paid such as price subsidies, pensions and social relief payments, repayment of capital and interest on domestic and foreign debt and certain special categories of appropriations, all other expenditures are to be cut by 10 percent from the figure for expenditures estimated in 1986.

--Levying of new taxes and appropriate adjustments in certain tax rates to increase financial revenues. Beginning in 1987, rural takeovers of cultivated land for nonagricultural purposes are to be taxed, half of the taxes being retained locally and the other half being paid to the central treasury.

--Increase in foreign loans. The 1987 national budget provides for 14.6 billion yuan in revenue from foreign loans.

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## SUPERIORITY OF STATE GUIDELINE PRICES DISCUSSED

Nanchang JIAGE YUEKAN [PRICING MONTHLY] in Chinese No 2, 15 Feb 87 pp 8-11

[Article by Xie Youquan [6200 0147 2938], Economics Research Institute, Xiamen University: "On State Guideline Prices"]

[Text] A divergence of views continues to exist about state guideline prices among comrades in theoretical circles and in the practical realm. Examples include, what is the nature of state guideline prices as a pricing form, and what is the theoretical basis for this form? What conditions have to be in readiness, and what is the future for development of this form of pricing. These views are discussed below.

### 1. The Nature of State Guideline Prices

One view holds that the state guideline price is a theoretical forecasting price or a trend-forecasting price; that it is not at all in the nature of a command, but rather provides producers, dealers, and consumers general theoretical price information and plays a role in forecasting trends or in providing information. It does not directly affect prices used in market transactions. In other words, this price has no binding force whatsoever on enterprises and those engaged in production.

Another view holds that the state guideline price is a semiplan price that both has the force of plan, to a certain extent, and also allows a certain amount of flexibility and freedom. The former aspect shows up in this form of pricing being restricted by state-set pricing principles and price ceilings, limits that enterprises may not arbitrarily exceed. The latter aspect shows up in this form of pricing being arrived at through negotiations by suppliers and buyers, a process in which there is a fair amount of freedom.

Yet another view maintains that, by their nature, state guideline prices belong in the category of market-regulated prices, the reason being that were this form of pricing a guideline negotiated price, it would be arrived at through negotiation between buyers and sellers and would be greatly affected by market regulation. State units in charge play only the role of organizer. The so-called "guideline" is really indirect and has no administrative force. Enterprises may use these guideline prices or not as they desire.



I maintain that none of the above views is adequate. To term these prices theoretical forecasting prices risks oversimplification. This is because state-set guideline prices should not only forecast trends in supply and demand for goods, but should also take into account production costs, the producer's return, and the consumer's ability to pay. They should express state policy requirements. Clearly, these things cannot be encompassed by theoretical forecasting prices. Moreover, state guideline prices are characterized by guidance and control. To regard them as theoretical forecasting prices that function only to provide price information is to disregard the inherent guiding nature of this form of pricing, and this is clearly not proper.

To term guideline prices as semiplan prices is also ambiguous. Plan prices may have different forms such as command plan prices and guideline plan prices; however, there can be no distinction between "semi" and "full." The difference between state guideline prices and state uniformly set prices lies only in the former's greater use of the market mechanism for its effect.

To term guideline prices market-regulated prices is a misconception, of course. A market-regulated price is a price that is regulated entirely by the market, i.e., a free price such as negotiated purchases prices and negotiated sale prices, prices set by enterprises, country fair trade prices, etc. Though there is a certain amount of flexibility in state guideline prices, this flexibility is guided by plan. Should the concluded price in live transactions exceed the limits set by the state for price fluctuations and affect the overall level of prices, the state will use either administrative methods or other economic methods to intervene and effect regulation. Enterprises have no discretion in the use of these prices. This is the fundamental difference between state guideline prices and market regulated prices. It should be noted here that negotiated buying and selling prices that conform to market conditions are not to be put on a par with guideline prices. Furthermore, the term "guideline" differs in nature from negotiated prices. It is in the category of state guideline prices. Comrades who maintain that guideline prices and market-regulated prices are the same confuse the two.

Some goods carry a state guideline price that is actually identical with the state fixed price and that changes but little once set, thus being termed a second list price. This situation is caused primarily by lack of a clear understanding of the nature of state guideline prices. It is a problem in implementation and may not be attributed to state guideline prices per se.

I maintain that state guideline prices are different in nature from other forms of prices. They are a guideline plan purchase and sale price in the category of plan prices. Though lacking administrative force, this form of pricing is limited by the economy. It is actually a controlled price set by enterprises, and it is a form of pricing that combines uniformity and flexibility.

## 2. Economic Basis and Conditions for Instituting State Guideline Prices

A basis for instituting state guideline prices may be found in many places.

One is to seek a basis in the importance of commodities for the national economy and the people's livelihood. China has always designated commodities as Category I, Category II or Category III in terms of their importance to the national economy and the people's livelihood. Category I contains an extremely small number of important commodities. Category II contains fairly important commodities; and Category III contains commodities of a multitude of kinds. State fixed prices apply to Category I; state guideline prices apply to Category II; and market-regulated prices apply to Category III. It is just because most of the commodities in Category II are fairly important that state guideline prices must be applied; pricing cannot be left entirely open. This is the important economic basis for the application of this form of pricing.

Second is to seek a basis in terms of the degree of flexibility of commodity prices. So-called price flexibility means the effect on supply and demand of changes in commodity prices. When the effect is great, price flexibility is great; when the effect is small, price flexibility is small. Generally speaking, the price of most commodities is flexible; a few lack flexibility. State fixed prices must be applied to all goods for which there is little flexibility in either the supply price or the demand price. Examples are necessities such as grain and edible oil. Prices of all goods for which there is much flexibility in supply price, that have fairly abundant sources of supply, that are easily processed, and for which it is possible to expand production quickly can be completely open and regulated by market prices in order to promote production, increase supply, and bring about a balance between supply and demand. In addition, when supply and demand price flexibility is relatively small, or when there is fairly little supply price flexibility and demand price flexibility is fairly large, or when there is fairly great flexibility in supply price but little flexibility in demand price for most goods, general state guideline prices may be applied. This is to say that though prices are open, they are not all that open, and a form of pricing that combines uniformity and flexibility is applied. Take lumber, for example, for which there is fairly little supply price flexibility. With a growing period of 20 years or more, the production cycle is markedly limited, so open pricing alone cannot be depended on to stimulate production. To depend on open pricing would produce serious consequences in the form of the destruction of resources, reckless felling and denudation. The negative situation that came about in the wake of the 1986 loosening of timber prices in south China provides a lesson.

Third is to seek a basis in a proper plan management system. The form of pricing exists in response to the plan management system. "CPC Central Committee Decisions on Reform of the Economic System" notes that "That portion of important products bearing on the national economy and the people's livelihood that must be allocated and distributed by the state, and major economic activities that affect the situation as a whole in the country are to be governed by command plans. For other large quantities of products and economic activities, command plans or complete regulation by the market may be applied as circumstances warrant." As a corollary to this kind of planning

system, command prices apply to all goods to which command plans apply. For all goods guided by plan, guideline plan prices apply. For goods subject entirely to market regulation, market-regulated prices apply. State guideline prices are an effective method for regulating state economic plans, and this is where the economic foundation for the application of guideline prices is found.

There is a certain logic in using authentication in the aforementioned three ways as a basis for the application of state guideline prices. Nevertheless, I maintain that essentially the reason for application of state guideline prices should be summed up in the country's institution of a socialist planned commodity economy. This is because a commodity economy necessitates unified socialist markets, necessitates wide-ranging lateral economic relationships, and necessitates the expansion of enterprises' self-determination. Prices, which are the most effective way of achieving this, must be loosened. If enterprises have self-determination only in other regards, but have no authority to set prices or authority to regulate prices, enlivening of the economy becomes an empty phrase. Of course, we are not instituting an ordinary commodity economy but rather a socialist planned commodity economy. For numerous important industrial and agricultural products, prices have to be loosened; however, the loosening can only be limited. This is to say that there have to be macroeconomic controls, and this is where the basic foundation for our necessity to apply state guideline prices is found. In addition, diverse economic components continue to exist in China during the present stage, so only when state guideline prices are instituted will state-owned enterprises benefit, and only when full use is made of the guiding role of supply and marketing cooperatives in market regulation will development of the planned commodity economy be advanced.

Naturally, state guideline prices cannot be applied under all circumstances. Generally speaking, the following conditions must be present:

We had formerly been accustomed to organizing economic activities in terms of vertical administrative subordination. Commodity materials were distributed downward, level by level, through administrative zones, artificially restricting enterprises vertically and laterally within their administrative subordination. This not only destroyed the unity of socialist markets, but also put obstacles in the way of the development of lateral economic relationships. At that time, despite the application of state guideline prices, it was a case of a hero having no place to use his weapons. This was because a loosening of prices required, first of all, a loosening of markets and the expansion of lateral economic relationships to form a unified market system and an economic network extending in all directions. Only when such an external environment was present could state guideline prices have an element in which they could exist, and perform their regulatory function of guiding production, enlivening the circulation of commodities, and channeling consumption. Conversely, of course, the development of lateral economic relationships also depends on the application of state guideline prices. This not only helps unite both parties in adherence to the principle of material interests, but also helps exploit strengths, avoid weaknesses, and make the most of local advantages.

Second, enterprises must be self-directed entities in terms of responsibilities, authority and interests, with responsibility for their own profits and losses.

In recent years, reform of the economic system has expanded the self-determination of enterprises, and preliminary changes have taken place in centralized procurement and exclusive sales, centralized receipts and expenditures, and the "eating out of a large common pot," and in strengthening the regulatory function of price levers. Nevertheless, the current situation shows that enterprises still have a long way to go in meeting the requirements of economic entities. Among large and medium-size urban enterprises, responsibility for earnings but not for losses, and no direct relationship between economic results and earnings of staff members and workers are still commonplace. This not only does not help stimulate a sense of urgency and a sense of responsibility among staff members and workers to improve operations and management, but state guideline prices are also unable to play an effective regulatory role. As system reforms become more pervasive and as the degree to which enterprises are responsible for their own profits and losses steadily increases, it is believed that state guideline prices must play an ever-increasing role.

Third is the need for a complete information exchange feedback system.

For state guideline prices to truly play a role in guiding production and evening out supply and demand, one important condition is the necessity to intensify investigation and research to gain a prompt understanding of economic activity and information data and to form a complete information transmission and feedback system. If one says that information transmission is an important reference basis for formulating state guideline price, then information feedback provides dependable data for testing and verifying whether state guideline prices have been set properly. "CPC Central Committee Decisions on Reform of the Economic System" noted that "The greater the enlivening of the economy, the greater the need to pay attention to macroeconomic regulation, and the greater the need to be adept at the integrated use of the economic levers of prices, taxes and credit on the bases of an understanding of economic activity." The lack of attention to information exchange is currently in process of being changed, and the information system, information facilities, and transmittal techniques are in process of being set up and developed, all of which creates favorable conditions for the application of guideline prices.

### 3. State Guideline Prices Should Be the Primary Form of Pricing for Managing and Enlivening Markets

Good management and enlivening of consumer goods markets must be founded on and be in keeping with a price-control system. Premier Zhao said in his "Report on the Seventh 5-Year Plan" that "Reform will gradually result in the establishment of state fixed prices for an extremely small number of important commodities and labor services; for the large amount of most other goods and labor services, a system of state guideline prices and market regulated prices will apply for better use of the regulatory role of price levers." Establishment of such a price-control system in China's centralized socialist



markets meets requirements for development of a planned commodity economy, and it also helps establish and perfect a socialist market system. However, which form of pricing should be paramount among these forms of pricing? I maintain that for both the near and distant future, it has to be the state guideline price, because the state guideline price has advantages that no other form of pricing has.

One such advantage is flexibility. State guideline prices and state fixed prices are different. The latter is a direct plan price and is uniformly set by the state. It has administrative force. Once such a price has been formulated, it remains relatively stable for a certain period of time. Usually it is not subject to supply-and-demand influences in markets at different times and in different places. Without approval from units in charge of prices, no unit may unauthorizedly change fixed prices; consequently, they are relatively lacking in flexibility and adaptability. With state guideline prices, on the other hand, despite state regulation of the standard price and the ceiling price, enterprises may make flexible and adaptable price adjustments within the state-set ceiling price as the supply and demand situation changes. Only when there is flexibility can prices be equitable, and can prices maintain an equitable level in the course of regular readjustment. Furthermore, application of state guideline prices means vesting enterprises with a certain amount of authority to set prices and adjust prices. Flexibility in an enterprise's prices not only enables the enterprise itself to be more lively and energetic but also helps it hold the initiative and be more competitive during market readjustments.

Second is equitability. Yet another point of difference between state guideline prices and state fixed prices is that the former can more effectively carry into effect the requirements of the laws of value. Though state fixed prices should be consistent with value insofar as possible, as a result of the constant changes in production costs for all kinds of merchandise caused by scientific and technical progress, no matter how hard they may try, pricing units cannot keep up with these changes and make frequent adjustments; therefore, state fixed prices can be limited only to a few important goods for which the supply does not meet demand. State guideline prices, on the other hand, have this ability to adapt. When production costs change, corresponding adjustments can be made at once in the prices of goods, and these adjustments can bring about an equitable distribution of actual economic results. Their effect is reflected concretely in both the macroeconomy and the microeconomy. In the macroeconomy, application of state guideline prices helps the correct handling of the relationship among enterprises, collectives, and individuals in the sharing of economic results, and it coordinates the state plan with enterprise operations. In the microeconomy, application of state guideline prices helps carry out the principle of exchange of equal value, insures economic benefit for enterprises and heightens enthusiasm for enterprises' operations.

Third is guidance. State guideline prices differ from market-regulated prices additionally in that there is a spontaneous adjustment of market-regulated prices in accordance with the laws of supply and demand. Large rises and falls in prices may easily telegraph false information to producers. In recent years, production of some important agricultural products in China has

been large at some times and small at others. To a very large extent, this very great inconsistency has resulted from the fluctuation of market prices. Under these circumstances, production capacity may be rapidly expanded, so the effect will not be great on products for which supply and demand can be readily balanced. In the case of those products for which there is little supply flexibility, and for products that have a major bearing on production and the standard of living, however, the interests of both producers and consumers may be damaged. State guideline prices, on the other hand, are set on the basis of state-formulate pricing principles and price levels at a certain period of time. They both reflect the value of goods and the relationship between supply and demand, and they are able to provide producers with fairly accurate price information, thereby playing an effective guiding role. With price guidelines, producers know what is profitable to produce, what is not profitable to produce, and what to produce to meet society's needs. The producer can then make rational plans for the use of funds and the work force so that his own operations can strive to meet the requirements of the state plan and avoid mindlessness in production.

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## HEBEI OFFICIAL ON INCREASING EXPORTS

Shijiazhuang HEBEI RIBAO in Chinese 23 Mar 87 p 2

[Article by Yang Gengshen [2799 1649 3947], Deputy Director of the Hebei Department of Foreign Economic Relations and Trade: "Improve Economic Results, Increase Exports to Generate Foreign Exchange, Launch a Broad and Intensive 'Double Increase, Double Savings' Movement"]

[Text] In order to better adapt our foreign economic work to the situation of invigoration and opening to the outside, our overall guiding ideology in the "Double Increase, Double Savings" Movement should be to focus on improving economic results while concentrating on the two keys of expanding exports and strictly controlling losses, in order to handle more smoothly the relationships between invigoration and management, between generating exchange and costs, and between speed and reserve strength, thereby achieving the goal of increasing exports to generate exchange. With the two pricing systems constantly changing for the international and domestic markets, we must try every way possible to overcome our difficulties and ensure that the exchange-generating assignments given Hebei by the state are met, striving on the basis of staying within certain cost levels to realize our target of "guaranteeing eight and trying for nine" (\$100 million).

1. Implement an economic contract responsibility system in all the province's foreign trade enterprises. This year we want to implement an economic contract responsibility system in all the province's foreign trade enterprises. We should break down at the grassroots level the three indicators of exchange generated by exports, exchange conversion costs, and total profits and losses, and quickly contract them out to research departments, teams and groups, and individuals. Enterprises meeting and exceeding the profit plans will receive their shares according to the methods already established; enterprises exceeding their cost limits will not receive subsidies, while those remaining under them may retain the balance; losing enterprises will not receive subsidies if they increase their losses but may retain any reduction in losses. At the same time, we also want to promote a responsibility system based on targets for the manager's tenure in all the province's import-export companies; in the first six months of the year, we shall move from test sites to overall implementation, based on the experience gained from focusing on the six test companies.

2. Positively support production and expand sources of export goods. Expanding exports and generating more foreign exchange requires establishing a foundation of salable export commodities. In addition to applying economic measures and focusing on purchases of export commodities, we must use every means to support production and expand the sources of exports. 1) We must properly focus on the important foundation work of establishing export commodity bases. We must provide support to the six Hebei commodity bases that have now been included in the national agricultural and sideline products production system in such areas as capital, technology, supplies, and information services; we must strive to get them into production as quickly as possible so that we will see results. The original three integrated production bases and the 19 single-commodity production bases should be made to play a greater role by integrating their experience and upgrading and improving their methods. At the same time, the concerned departments should meet to deal with planning, management and construction for Hebei's light industrial and textile production system. 2) Support production through horizontal economic integration. Vigorously promote multilayered, multichannel horizontal integration in many fields and areas; bring relations closer between industry and trade, agriculture and trade, and technology and trade; expand and stabilize sources of exports. At the same time as we rely on and assist large and medium-size enterprises to expand exports, products not produced by large enterprises for which a gap exists, labor-intensive products, and some minor products should be shifted to county-run or township enterprises. 3) Support production by utilizing foreign exchange generated by processing imported materials and revolving exchange, ensuring that productive enterprises have the raw and supplemental materials, key equipment, and supplies for barter and purchase they so urgently need. Vigorously develop the processing of imported materials and processing on commission; lower costs, raise quality, and increase competitiveness in exporting to generate foreign exchange. 4) Reinforce international market surveys and research to provide information services to the production departments. 5) Thoroughly implement the state's various incentive policies to encourage exports and improve methods of settling accounts for retention of foreign exchange and for export bonuses; simplify procedures, honor commitments on time, and mobilize the enthusiasm of export-producing enterprises and delivery units.

3. Strive to open up international markets and strengthen marketing abroad. We should take every advantageous opportunity and utilize various flexible trading methods, selecting the best commodities, markets, customers, prices, and currencies to open up sales channels and invigorate business, striving to achieve more contacts sooner, selling at better prices, and earning more exchange. While consolidating old markets, we must strive to open up new markets.

4. Reinforce management and low expenses. We should focus on reducing all expenses in order to lower costs. This year the average rate of funds turnover for this province's foreign trade enterprises should be increased by 20 percent over last year; expenses should be reduced by 10 percent from last year. 1) The mix of export commodities should be reasonably readjusted, and profit-making or low-loss goods should be vigorously developed. 2) Warehouses should be cleared out and unreasonable warehousing should be reduced; occupied funds should be reduced and funds turnover accelerated. 3) Domestic transport



should be scientifically organized; modes of transport and transport channels should be selected rationally to reduce the number of steps, increase efficiency, and reduce expenditures. 4) Focus on export transport performance, improve management of contracts, invoices, and exchange conversion. 5) Lower consumption of materials and economize on the raw and supplemental materials and packaging for export goods. Strive to achieve simultaneous increases in exporting to generate exchange and economic results.

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## ZHEJIANG DEVELOPS NEW EXPORT COMMODITIES

Hangzhou ZHEJIANG RIBAO in Chinese 24 Mar 87 p 1

[Article by Ye Xuan [06/3 5503]: "Zhejiang Positively Developing New Export Commodities; Last Year More Than 100 New Export Commodities Were Added, Generating More Than \$30 Million"]

[Text] In focusing on exports to generate foreign exchange, Zhejiang's import-export companies are paying close attention to developing new products and substituting improved versions of traditional products, and are positively developing exports of these new commodities. According to incomplete statistics, in 1986 Zhejiang had more than 100 new export commodities, generating more than \$30 million in foreign exchange, and accounting for 14.2 percent of the total increase in exports over the previous year. Of these commodities, the new export products of the Zhejiang Textile Import-Export Co. generated more than \$20 million, accounting for 47.3 percent of this company's total increase in exports.

The export commodities newly added in 1986 include those employing new technology and equipment, new packaging, made-over traditional export commodities, and products whose quality was improved. There were also several new products which only Zhejiang has and which are being exported from China for the first time. By working closely together, the Zhejiang Textile Import-Export Co. and the Hangzhou Knitwear Plant successfully developed the S/Z line of knitwear, which sold \$700,000 in Japan in the first year after it was launched.

By switching to new, better varieties of existing export commodities, changing the product mix, and adopting new specifications and patterns, export commodities have been adapted to international market demand, which has had a positive effect in opening up markets and expanding sales. These salable commodities can not only boost exchange-generating capacity but can also greatly lower exchange costs. Jinhua ham, Gaoshan tomatoes, and minispeakers have all been well received by clients.

Introducing advanced technology and equipment is an important means of developing new products. In Haining, for example, a textile factory and a clothing factory brought in an assembly line to process stone-washed jeans that sell so well on the international market; in their first year last year they generated \$600,000 in foreign exchange.

## ATTRACTING DIRECT INVESTMENT FROM ABROAD IN ZHEJIANG

Hangzhou ZHEJIANG RIBAO in Chinese 22 Mar 87 p 2

[Article by Guo Jianshe [6753 1696 4357]: "Pay Attention to Attracting Direct Foreign Investment"]

[Text] Since implementation of the open policy, Zhejiang has been gradually using more and more direct foreign investment. This has not only made up for a shortage of construction funds but has also brought in much advanced technology and management experience, which has had a positive effect in promoting the province's economic growth and technological progress. However, several problems remain in the effective use of direct foreign investment due to inadequate experience.

The purpose of utilizing foreign investment is to bring in advanced technology, accelerate the technological upgrading of enterprises, promote product improvement and replacement, and expand exporting to generate foreign exchange. In the last few years more than 100 foreign-investment enterprises have opened in Zhejiang, with a total investment of more than \$300 million, \$100 million of which was direct foreign investment. In terms of the project structure of the existing foreign-investment enterprises, there were 15 projects involving foreign investment in tourist hotels, plus a total of more than 30 service projects such as taxis, color printing, and panoramic cinematography, accounting for more than 30 percent of the total number of projects. In terms of amount of investment, total investment in service projects was \$150 million, almost one-half the investment in all projects. In terms of introduction of advanced technology and equipment, the existing foreign-investment enterprises have brought in a good deal of ordinary technology and equipment and little that is advanced. In terms of the enterprises' foreign exchange balance, there are still not many export-oriented enterprises, and some will have to import foreign raw materials, components and parts for a long time to come, though their products have difficulty getting into the international market, so they have trouble achieving an exchange balance; although some enterprises' products have been able to get into the international market, their exchange costs are high, and they have trouble sustaining this. Among productive projects there is still duplicative importing and distribution, and in some cases there are five or six projects doing the same thing.

In short, Zhejiang's utilization of foreign investment is still less than ideal. In addition to inadequate experience, the reason for this is that this question of how to effectively utilize direct foreign investment has not yet been fully addressed. In using direct foreign investment, attention should be paid to properly handling the relationship between quantity and benefits. A one-sided pursuit of quantity in the use of direct foreign investment at the expense of benefits is unacceptable and makes it difficult to realize the purpose of using foreign investment. In using direct foreign investment, consideration must be given to the capacity to support it, and this capacity is limited. Therefore, within this limited capacity to support direct foreign investment, attention must be paid to guiding it, and to striving for economic results.

Under the present circumstances, how should the use of direct foreign investment be guided? I believe that we must first improve the investment environment and create good conditions for attracting foreign investment. In order to guide investment we must first attract it, and to attract it we must improve the investment environment. Investment environment is the entire system including the political, economic, social, and natural realms. There is the "hard" environment, such as infrastructure; and there is the "soft" environment, such as policies regarding use of foreign investment. Improving the hard environment takes time and can only be done step by step; the soft environment is more dynamic. We must now thoroughly implement the State Council's Resolution Regarding Encouragement of Foreign Investment and strive to create a "microclimate" suitable for foreign investment. Although preferential investment is not the determinant factor in attracting foreign investment, suitable preferential treatment in combination with improvement of the investment environment and other conditions can yield excellent results in guiding foreign investment. Therefore, we should continue to adjust our preferential policies regarding investment requirements according to different times and different industries and projects.

Second, we must formulate a feasible plan for utilizing direct foreign investment. This plan should be drafted according to national economic development plans and industrial plans so as to avoid inconsistencies. In order to make rational use of foreign investment and fully exploit its economic benefits, we should adopt focused, selective strategies for using direct foreign investment; by means of a set of requirements regarding the range and types of foreign investment, we should use administrative and economic approaches to guide foreign investors towards investment in key industries and regions, truly putting foreign investment to work for us.

Third, there should be a specialized agency to deal with the use of direct foreign investment. With such an agency, it will be possible to consider all aspects of the plan for using foreign investment, coordinate the various relationships, and provide timely assistance to foreign-investment enterprises in solving problems. Foreign investors are extremely concerned about the efficiency with which their investment is handled, and this is an important measure of how good the investment environment is. Compartmentalized dealings, with no specialized agency, strongly impact the improvement of efficiency. Local governments now all have the authority to decide on projects under certain limits; this helps accelerate the pace of utilization of direct



foreign investment, but it also makes it easy for duplicative importing and distribution to occur. This is an area that requires a specialized agency to properly balance out projects.

Furthermore, we must also conduct foreign publicity campaigns. We should take the initiative in using every means and opportunity to present our open policy, investment environment, and preferential treatment, as well as those industries, regions and projects that encourage foreign investment.

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## NEED FOR INCREASED AGRICULTURAL INPUTS EXPLORED

Beijing NONGYE JINGJI WENTI [PROBLEMS OF AGRICULTURAL ECONOMY] in Chinese No 1, 23 Jan 87 pp 6-9

[Article by Shi Bing [0670 0365]: "An Exploration of the Need To Increase Agricultural Inputs"]

[Text] In the past 7 years of agricultural reform the rural economy has grown rapidly. However, the agricultural foundation in China was originally weak, and in the past few years we have been slacking off on agricultural capital construction, with the result that agriculture still faces a rigorous test. The way out for agriculture lies in upholding and intensifying reforms and constantly bringing forth new organizational ideas. The issue of increasing agricultural inputs and improving the basic conditions of agricultural production to augment agricultural stamina should be part and parcel of the course of reform.

#### I. Correctly Understand the Relationship Between Reform and Inputs

After rural economic reform has been so successful, to raise the issue of enhancing agricultural stamina and increasing state agricultural inputs does not imply that reform is now unimportant. Quite the contrary: it indicates precisely that we have entered a new stage of reform. Reform and inputs naturally complement each other: reform strengthens agricultural vitality and can improve rural accumulation and increase the capacity for inputs; likewise, increased inputs can promote rural economic growth, consolidate the positive results of reform, and promote the intensification of reform. The past few years of experience allow us to see much more clearly today.

Growth in agricultural production depends upon increasing the volume of various production inputs and then making effective use of them. The past 7 years of rural reform, centered around the output-related system of contracted household responsibility, have aroused producers' initiative (specifically, we have resolved the problem of producers' immediate financial needs) and allowed the pre-existing material conditions of production to play an unprecedented role in many ways, including the following: Basic agricultural conditions built up over many years have borne fruit, more than 10 large chemical fertilizer plants have been put into production and the volume of chemical fertilizer applications has doubled, and previous scientific and technical

agricultural reserves such as improved varieties and intensive cultivation techniques have been put to good use. This is the primary reason we have achieved agricultural growth.

The difficulty in agricultural production lies in grain production. Ten years from now gross grain yield must be increased by another 50 billion kg and we must climb to a new benchmark. Figured based on sown area, our per-mu yield must increase from the current 230 kg to 300 kg. To pursue even higher yields on top of already high yields, we must further increase material and technological inputs, particularly certain inputs that improve production conditions. Otherwise this goal will be unattainable. Of course, to ensure that these new material and technological inputs are used to their best advantage, in rural affairs we must still rely primarily on intensifying reform, implementing the correct economic policies, continuing to stimulate the rural economy, and enhancing the vitality of rural production.

The current state of world agriculture is that developed agriculture is concentrated primarily in economically developed nations, and, by contrast, agriculture is generally quite backward in economically underdeveloped nations. This reflects the level of agricultural inputs. For example, in economically developed nations such as Japan, West Germany, the United States, and France, each 100 yuan of agricultural output value accounts for 400 to 600 yuan worth of fixed assets, as opposed to 40 yuan, or only about one-tenth as much, in China. As China persists in reform it is possible that we will achieve "a higher output for less input," but it is essential that we increase inputs.

Agriculture is the foundation for national economic development. In China this is manifested primarily in two ways: First, in the wake of population growth we must ensure that the Chinese people attain a grain supply of 400 kg per capita. Second, we must guarantee a stable increase in farmer income in order to continue to expand urban industrial products in the rural market and accumulate funds for industry. Therefore, from the perspective of overall national economic growth as well, we must accord agriculture its proper status and ensure that agricultural inputs occupy the proportion of total national economic inputs that they should occupy.

## II. Deal Correctly With the Relationship Between State Inputs and Farmers' Inputs

Both the state and farmers alike should increase agricultural inputs. Because agriculture is not yet impervious to climatic constraints, the risks involved in agricultural production far outweigh those in industrial production. Moreover, it takes much too long to gain a return from soil amelioration. Labor productivity also improves far more slowly in agriculture than in industry, and by their very nature agricultural products are often in a disadvantaged position on the market. Consequently, as farmers develop production through self-reliance, state financial aid to agriculture is indispensable. In particular, certain things that are not within the power of the farmer to accomplish, but that nevertheless must be done, must be undertaken by the state. This way we can encourage farmers to increase inputs even further and enhance our reserve capacity for agricultural development.

Since the 3d Plenum of the 11th CPC Central Committee there has been a notable change in agricultural inputs, particularly in long-term inputs.

Prior to the 3d Plenum, the state assigned monopoly procurement quotas on agricultural products. Part of the price scissors between industrial and agricultural goods was used to accumulate funds for industrialization, and at the same time it was used for agricultural inputs. According to data (based on management systems) collected by the State Statistics Bureau, in the period from the First 5-Year Plan through the Fifth 5-Year Plan state investment in capital construction on farmland increased. Such investment increased from 4.3 billion yuan, or 7.3 percent of total state investment, in the First 5-Year Plan to 26.8 billion yuan, or 11.4 percent of total state investment, in the Fifth 5-Year Plan. Simultaneously, the state also increased the amount of money set aside for agriculture-related industries producing chemical fertilizer, agricultural machinery, and pesticides, and from the First 5-Year Plan through the Sixth 5-Year Plan these three industries received 4.27 percent of total state investments.

Prior to the 3d Plenum the income distributed among individual farmers was very small and farmer inputs to agriculture were manifested primarily in the form of inputs from collective accumulation. According to statistics, in 1975 rural collective accumulation funds reached 7.4 billion yuan, and most of this was used for long-term agricultural inputs. However, before the 3d Plenum abuses of the agricultural system resulted in agricultural inputs being expressed only in achievements in basic facilities and other areas, and the production capacity that had been created was in no way used to its full advantage.

After the 3d Plenum, the state changed agricultural inputs, increasing prices for farm products and raising its outlay for consumption subsidies. The results were remarkable. However, both as an absolute quantity and as a percentage of the total quantity of state investment in capital construction, direct state investment in agriculture declined. State investment in capital construction on farmland declined from 11.5 percent of total state investment in capital construction during the period from the First 5-Year Plan through the Fifth 5-Year Plan to 6.3 percent during the Sixth 5-Year Plan. The absolute value dropped from 26.8 billion yuan during the Fifth 5-Year Plan to 21.5 billion yuan during the Sixth 5-Year Plan. The responsibility for water conservancy operating expenses was relegated to the counties, and misappropriation of funds became a serious problem. The ratio of state investment in chemical fertilizer, agricultural machinery, and pesticides also declined to its lowest historic point: a mere 1.3 percent.

For the Seventh 5-Year Plan the state plan calls for an increase over the Sixth 5-Year Plan in the absolute value of state investment in capital construction on farmland. However, of the total plan for state investment in capital construction, the percentage devoted to agriculture has still declined somewhat. It is worth noting that prior to 1980 two-thirds or more of the funds invested in capital construction on water conservancy projects were used directly for agricultural irrigation and drainage, and the other one-third was used for harnessing great rivers and for supplying water to urban areas,



industry, and mining operations. In the past 5 years this proportion has been inverted, and only one-third of these funds are used directly for agriculture.

After the 3d Plenum the state increased procurement prices for agricultural goods, ensuring material benefits and higher incomes for farmers. However, the increased peasant income is still rather low compared to the income of urban residents. During the Sixth 5-Year Plan the average per capita income in the farming population actually grew to 149 yuan. By contrast, the average per capita income in the urban population actually grew to 255 yuan, or 71 percent higher than the average per capita income in the farming population. In particular, because the increased peasant income was dispersed for the immediate needs of 190 million peasant households, there was no way it could be translated into a corresponding increase in the total quantity of long-term agricultural inputs. The fact is that farmers are more interested in using these funds for consumption inputs than for production inputs. When they do use them for production inputs it is primarily for short-term inputs that bring rapid returns, or for high-profit projects. Simultaneously, because the bi-level operating systems of some cooperative economic organizations are imperfect, leadership methods among cadres at the grass-roots level are unadaptable to the new situation. The masses want to undertake certain long-term investment projects to change production conditions, but they are helpless to do so because there is no organized guidance. Consequently, since the 3d Plenum, peasant agricultural inputs, particularly inputs into the planting industry, have dropped significantly compared to collective inputs prior to the 3d Plenum. In 1985 collective accumulation funds totalled only 4 billion-plus yuan, down 40 percent from 1975. As for township and town enterprises, agricultural inputs in the form of "industrial subsidies to agriculture" are primarily limited to a few economically developed areas, besides which they are declining year after year. In 1979 these inputs reached 2.69 billion yuan, but by 1985 they had dropped by two-thirds, to 880 million yuan. Of particular interest is that the advantages accruing to farmers through increased prices for agricultural goods have been offset more than half by increased prices for production materials and industrial consumer goods. This has also affected peasant capacity to make agricultural inputs.

In the final analysis though, there is great potential for peasant agricultural inputs, and we should take care to see that this potential is fully exploited. In addition to guiding peasants in increasing their monetary investment in agriculture, mobilizing peasants to undertake labor accumulation is one effective means of guiding them to achieve agricultural inputs. There is a vast surplus labor force in the Chinese countryside, and in many places the value of the labor force is very low. If the state makes a relatively small investment and offers peasants a certain remuneration, it can mobilize peasants to launch capital construction projects on farmland and develop transportation facilities on their own initiative. Before the 3d Plenum, in most years peasant manpower inputs on agricultural capital construction projects amounted to over 80 million people, and labor accumulation added up to over 8 billion man-days. In recent years, on the other hand, the labor input has amounted to only one-fourth of this. Thus, we must analyze our experiences and succeed in stimulating peasants to undertake labor accumulation.

### III. Pay Attention To the Relationship Between the Basic Conditions of Agricultural Production and Our Reserve Capacity To Increase Production

Right now the basic conditions of production in the countryside are incompatible with the need for sustained, stable production growth. This is primarily manifested in decreasing cultivated land, declining soil fertility, overuse of natural resources, the lack of arrangements for major construction projects, the insufficiency of scientific and technical agricultural reserves, and other areas, which not only affect current production, but also result in poor agricultural reserve capacity. These should be matters of concern to us.

First is the issue of cultivated land. Experience verifies that to guarantee development in the planting industry we must maintain a reasonable expanse of sown area. In recent years, the need for nonagricultural land has brought about a drastic reduction in cultivated area. During the Sixth 5-Year Plan the cultivated land area declined by an average 7.38 million mu per year, and the declining trend grew larger year after year. China has very few uncultivated land resources suitable for farming, and there is a limited amount of cultivated land where we can rely on wasteland reclamation as a supplement. We now have only 500 million mu of uncultivated wasteland, of which approximately 200 million mu is of satisfactory quality. Even if it was all reclaimed we would only add 100 million-plus mu to our cultivated land area. Therefore, we must first tighten up land management. However, projections indicate that we will lose 50 million mu of arable land within 10 years, so it is nevertheless necessary for us to reclaim some wasteland. At the same time, we must put our major efforts into transforming fields that produce low and moderate yields. High-yield fields account for only 31 percent of all cultivated land in China, whereas low- and moderate-yield lands constitute 69 percent. There is a difference of over 300 kg per mu between output on low-yield and high-yield grain land. In the past few years, because peasants have been considering the economic advantages before their eyes, green manure acreage has dropped by over 40 percent nationwide and the quantity of pond sludge and manure from animal pens is also declining. Land plowed by tractors has been transformed into land plowed by draft animals or spaded by hand; soil fertility has dropped and yield increases depend upon the use of chemical fertilizers. The transformation of saline and alkaline land, land damaged by floodwater, red earth, and deserted and submerged land has also decreased. Consequently, we should make it a strategic priority to encourage farmers to transform low- and moderate-yield lands and improve soil fertility.

Second is the issue of water conservancy. A substantial number of our over 80,000 reservoirs are in disrepair and dangerous. Of the existing 80 million HP in irrigation and drainage machinery, one-quarter is obsolete: energy consumption is high, accidents are frequent, and equipment that needs replacement has not yet been replaced. Many of our 2.4 million mechanized wells have reached the end of their service lives and need to be replaced: we need to replace 100,000 wells per year. Irrigation works and canals are old and have fallen into disrepair, so results from irrigation have declined. During the Sixth 5-Year Plan the cumulative reduction in irrigated area measured 67 million mu. If we balance increases against decreases we see a net loss of 15 million mu. Farmland water conservancy conditions are

subsisting off past gains. As a result, at the same time as we are consolidating and transforming, it is absolutely essential that we suitably develop the irrigated area.

Third is the issue of chemical fertilizer. The development of low-potency fertilizer and the successive activation of more than 10 major chemical fertilizer plants built prior to the 3d Plenum are the major factors that have guaranteed increased agricultural yields in recent years. Now there is growing demand to increase supplies of chemical fertilizers. Based on circumstances in China, for every increase of 5 million tons in grain output we must invest 600,000 tons (in active components) of fertilizer. At the same time, in addition to fertilizer used on farmland we need inputs of chemical fertilizers to improve grass farms, breed aquatic products, and accelerate the growth of high forest yields. Construction in the chemical fertilizer industry takes a long time, so we need to make arrangements early.

Fourth is the issue of agricultural machinery. In recent years rural machine power has expanded rapidly, but the majority of it is not used in agricultural production. In 1985 ownership of large and medium-sized tractors declined, while the number of small tractors and walking tractors increased. However, 46 percent of the latter were not farm tools, but were used largely outside of agriculture. Right now there is an extreme shortage of agricultural implements that are suitable for economic diversification and complementary cultivation and necessary for capital construction on farmland in the Chinese countryside. Approximately one-third of the regions of China urgently need to develop mechanization. This will be a difficult task, and we must make it a part of the state's key development plan.

Fifth is the issue of the supply of diesel fuel and rural electricity. During the Sixth 5-Year Plan we had an average of only 44 kg of diesel fuel per year for every horsepower of agricultural machinery in the countryside. This is a decline of 36 percent from the 69 kg available in 1980, and it is only enough for 200 hours or so of work with diesel machinery. We urgently need to increase the supply of diesel fuel, and there is a major shortage of rural electricity, so it is hard to guarantee our needs in agricultural production and in the struggle to combat natural disasters. In the future, the portion of the overall electrification network designated for rural electrical supplies must be guaranteed. Simultaneously, where conditions exist we must develop small hydroelectric facilities. In recent years the rate of development of small hydroelectric facilities has declined. In 1979 and 1980 newly installed small hydroelectric facilities nationwide had an annual capacity of 1 million kw, but by 1985 this had dropped to 500,000 kw. We need to draft policies to support the construction of small hydroelectric facilities.

The items listed above, as well as the necessary expansion of new facilities and major construction projects, all affect the readiness of agricultural reserve strengths. None of them can be effective with only a brief effort; beginning today we must focus on them in a down-to-earth manner and carry through to the end.



#### IV. Raising Funds To Reform Agriculture, and the Financial Management System

We need to open up new avenues for raising agricultural funds. In the area of state inputs, we must first increase the state's financial allocations for capital construction on farmland, agricultural operating expenses, and other set purposes. In addition, we need to adopt various means of raising funds, wherein "money allocated for agriculture is used for agriculture." For example, we can begin to levy nonagricultural land-use fees and establish a fund for reclaiming land for agricultural use. We can also expand the collection of charges for improving agricultural technology, and we can establish a technological extension fund. As for peasant inputs, we must employ leadership and restraint in opening up rural financial markets and draw peasant financial inputs into agricultural production. And, we must formulate policies to encourage peasant investments. We should make credit a focal point and strive to increase it substantially. In particular, we should increase moderate and long-term loans at low interest or at discount in order to develop agriculture, forestry, animal husbandry, and fishery. In addition to domestic funds, we should also intensify the introduction of overseas capital.

We must reform the agricultural financial management system and ensure that we obtain the maximum economic results from limited funds. In particular, we must take care to reform the investment system. We should focus on gradually changing the pattern from a government monopoly investment system, in which funds are distributed level by level in the administrative system, to an enterprise management system that pools money from many sources.

As for investment in rural capital construction, in recent years we have conducted some experiments in reforming usage. Those that achieved fairly good results include the construction of the Sanbei Protective Forest and 50 commodity grain base counties. Our main successes have been as follows: 1) We have achieved a relatively concentrated portion of funds and put purposeful, directed investment into effect; 2) We have implemented cooperative state and local investment to take advantage of two forces of initiative; 3) We have achieved linkage between investment and economic targets and established an economic responsibility system. Simultaneously, in strategic investment decisions we have adopted the method of feasibility analysis. We conduct a minute comparative analysis of technical feasibility, economic feasibility, and social conditions, and then determine the investment target and decide the amount of investment. In addition, we stipulate that sub-stage targets in every investment phase be supervised and that policy decisions be more systematic and scientific. These policies still basically utilize the existing investment system, and for some time to come they will continue to rely on this system for action on funding inputs. However, we must gradually introduce scientific decision-making and management methods, and we must improve and increase work efficiency under the investment system currently in effect.

To reform the investment system further, we can establish a rural capital construction investment bank, set up categories for special funds, and formulate various investment regulations for rural capital construction. We can progressively transfer some investments in rural capital construction



projects from public finance channels to banking channels and see to it that production projects already set up switch to institutional enterprise management or to pure enterprise management. And, we can foster the capacity for reproduction in the economy itself and enhance agricultural stamina. This is an extremely complex, but necessary, undertaking. Right now we should conduct tests to nurture this new investment system so as to spark productive investment impulses among the populace and ensure that the new investment system grows and develops in rural economic life.

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## DRYLAND FARMING OF PADDY RICE USING MULCH SPREADING

Dalian LIAONING NONGYE KEXUE [LIAONING AGRICULTURAL SCIENCES] in Chinese No 1, 18 Feb 87 pp 13-15

[Article by Wu Yicai [0702 0001 2088], Song Songshan [1345 1529 1472] and Zou Jibin [6760 4480 2430], Rice Institute, Liaoning Provincial Academy of Agricultural Sciences: "Outlook for Dry Farming of Paddy Rice Using Mulch"]

[Abstract] Research in recent years has shown the drought tolerance of paddy rice to be not greatly different from that of many other crops including wheat, cotton, soybeans, and corn. As a result, experimental dry farming of paddy rice has spread very rapidly from the north China Plain northward, to central China, and to southwestern China, with more than 2.4 million mu in 13 different provinces and cities growing rice on dryland as of 1985. Most such rice is grown in boggy lowlying areas and in places entirely dependent on rainfall for water. The use of plastic mulch has made this possible.

Not only does the plastic mulch conserve moisture; it also reduces fertilizer runoff for a one-third increase in the nitrogenous fertilizer utilization rate, increases cumulative temperature by between 250 to 300 degrees centigrade to a depth of 5 centimeters, and maintains soil friability by protecting it from rain impaction.

Yields are generally in the 700 to 800 jin per mu range. In 1984, Liaoning showed a yield of 834.6 jin per mu from 12,546 mu; and in 1984, despite low temperatures, drought, waterlogging, and windstorms, yields in Liaoning and Jilin provinces averaged approximately 750 jin per mu from more than 80,000 mu of plastic mulched fields. In Heilongjiang Province at 47 degrees north latitude, yields of 865.8 jin per mu were realized from 1,010 mu.

Growing of paddy rice using plastic mulch has proven cost effective. In Jilin, the breakeven point is reached with a yield of 300 jin per mu. At 400 jin per mu, a net income of 72.59 yuan is realized for a 1:1.32 net benefit between input and output. A yield of 700 jin per mu produces a 1:2.31 per mu ratio between input and output for a net income of 112.79 yuan per mu, an amount much greater than for any other crop. By 1990, it is expected that 10 million mu of plastic mulch paddy will be grown in north China, and more than 20 million mu in the country as a whole.

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## LIAONING SURVEYED FOR RESIDUAL DDT, BENZENE HEXACHLORIDE

Dalian LIAONING NONGYE KEXUE [LIAONING AGRICULTURAL SCIENCES] in Chinese No 1, 18 Feb 87 pp 52-54

[Article by Wang Jinshan [3769 6930 3790] and Li Qingchun [2621 1987 2504], Soil Fertility Institute, Liaoning Provincial Academy of Agricultural Sciences: "Residual DDT and Benzene Hexachloride in the Soil of Liaoning Province and Preventive Measures"]

[Abstract] China did not halt production of DDT and benzene hexachloride until 1983 by which time its use had produced widespread environmental pollution that threatened public health. Residual organic chloride pesticides in the soil are the main source of such pollutants today.

A scientific survey conducted during 1984 over an area of approximately 36,000 sq km of Liaoning Province provided data on the extent and pattern of this pollution that were used as a basis for suggesting measures for dealing with it. Concentrations of DDT and benzene hexachloride are greatest in dryland orchards and vegetable fields where large amounts of these chemicals were used. Despite their greater use in wetland paddy fields, concentrations there are smaller today because of the flushing effect of flood irrigation. Concentrations are greater in the subsoil and bottom soil than in surface soil. These residual chemicals are readily soluble in water; thus, they are absorbed into growing crops and passed along in the food chain.

The permissible standard for residual amounts of organic chlorine pesticides in edible crops is between 0.2 and 0.5 ppm in China. In general, concentrations are less in long-stem, starchy crops such as rice, wheat, and corn, and greater in short-stem crops such as tobacco, and in tuberous crops such as carrots, which were found to be seriously polluted.

Measures to prevent ingestion of high concentrations of pesticide residues included changing drylands to wetlands in order to hasten the purging of the soil; no change in the growing of paddy or dryland crops in fields not seriously contaminated; a check on the amount of absorption into foods grown in fields that formerly grew cotton inasmuch as these pesticides continue to be used on cotton; and a halt to the growing of vegetables and tuberous crops in seriously contaminated fields. Contamination of eggs, milk, and meat through the feeding of contaminated crops should also be guarded against.

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## MOST EFFECTIVE TIME FOR HOG CHOLERA INOCULATIONS DETERMINED

Beijing ZHONGGUO SHOUYI ZAZHI [CHINESE JOURNAL OF VETERINARY MEDICINE] in Chinese 22 Feb 87 p 31

[Article by Chen Daiping [7115 0108 1627]: "Emergency Hog Cholera Immunization"]

[Abstract:] Experiments conducted in March 1983 on the effectiveness of inoculations against hog cholera at various times following exposure to the disease are reported in this very short article of fewer than 800 characters prepared with the assistance of a county-level agricultural institute and livestock farm personnel. Healthy shoats from three different sources were put together with infected hogs with whom they shared the same pens, ate together, drank together, and slept together. The incidence of hog cholera, the death rate, and the survival rate for the various groups following inoculation at various times following exposure are given, and recommendations provided on the best time to immunize hogs against cholera before sending them to market.

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## TWO SIMILAR SUGARCANE DISEASES DISTINGUISHED

Kunming YUNNAN NONGYE KEJI [YUNNAN AGRICULTURAL SCIENCE AND TECHNOLOGY] in Chinese No 2, 25 Mar 87 pp 3-5

[Article by Ma Yonggui [7456 3057 6311], Kaiyuan Municipal Bureau of Agriculture: Two Kinds of Newly Recorded Cercospora Sugarcane Diseases"]

[Abstract] The discovery in Yunnan in September 1986 of a sugarcane brown-spot disease subsequently determined to be the first recorded appearance of *Cercospora longipes* Butler provided opportunity for clarifying differences between this disease and the long-known sugarcane yellow-spot disease, or *Cercospora koepkei* Kruger. The writer draws on reference works dealing with the two diseases to chart the history of their incidence in China or nearby areas, and outlines their pathogeny, distinguishing characteristics, and spread. A handy chart comparing the symptoms of the two diseases and their pathogeny is provided together with drawings showing differences in their spore stalks and spores. The article contains approximately 2,250 characters plus references.

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